

MOUNDS VIEW PUBLIC SCHOOLS - District 621

Agenda
Item #

4.3

School Board Meeting October 14, 2008
(date)

Subject Health & Dental Insurance RFP

1. Action 3. Report/Information
2. Consent Executive Summary on Reverse Side

Presenter/s John Ward, Director of Human Resources & Operations; Amy Jo Johnson, Human Resources Employee Relations Manager

BACKGROUND (If necessary, additional information is attached)

In July 2008, the Mounds View District requested proposals for group health and dental insurance plans. The objectives of the RFP were to secure multiple year rate guarantees, maintain and offer plan design options, reduce or maintain rates and increase long-term cost effectiveness. Four carriers responded to the RFP for health and three carriers responded to the RFP for dental. Our current carriers, HealthPartners and Delta Dental, were selected for recommendation for Board action.

HealthPartners proposal includes:

- Two-year rate guarantee of 11.98% in first year and 14% in second year on current plan design.
- Offer a \$1,000/\$2,000 high deductible health plan with a VEBA contribution with rate change of 6.94% in year one and 14% in year two. The VEBA contribution would be as follows for 2009:
 - Teachers, Clerical and Custodians: \$600/\$1,200 annually
 - Principals, Paraprofessionals, Nutrition Services and Non-Affiliated: \$600 annually

Delta Dental proposal includes:

- Three-year rate guarantee of \$4.95 administrative services fee only (ASO) per member per month.
- Maintain self-insured plan with current plan design.

ADMINISTRATIVE RECOMMENDATION

It is recommended that the School Board approve the new contract with HealthPartners and Delta Dental effective January 1, 2009.

ACTION TAKEN

Motion by _____

Voting for _____

Seconded by _____

Voting against _____

Mounds View Public Schools
Medical RFP
Cost Analysis
January 1, 2009
Current Plan Design
\$250 - \$15

| Rates | Current HP Plan | Renewal HP Plan | Medica Proposal Current Plan Design | BCBS of MN Proposal Current Plan Design | Renewal HP Plan* |
|--------------------------|-----------------|-----------------|-------------------------------------|---|------------------|
| Single | \$459.87 | \$514.87 | \$518.01 | \$551.00 | \$510.29 |
| Family | \$1,278.53 | \$1,431.77 | \$1,440.17 | \$1,377.00 | \$1,419.00 |
| Monthly Premium | \$1,045,374.86 | \$1,170,593.50 | \$1,177,538.06 | \$1,161,766.00 | \$1,160,160.76 |
| Annual Premium | \$12,544,498.32 | \$14,047,122.00 | \$14,130,456.72 | \$13,941,192.00 | \$13,921,929.12 |
| Total Plan Cost Increase | | \$1,502,623.68 | \$1,585,958.40 | \$1,396,693.68 | \$1,377,430.80 |
| % Premium Increase | | 11.98% | 12.64% | 11.13% | 10.98% |
| Rate Guarantee - 1/1/10 | | 14% | 14% | N/A | 15% |
| Rate Guarantee - 1/1/11 | | N/A | N/A | N/A | 16% |

*if Dental Insurance placed with HealthPartners

Note: PEIP offered a proposal with rates at 14.18% above current. PreferredOne declined to quote.

| | | | | | |
|---------------------|--------------|--------------|--------------|--------------|--------------|
| District Cost | \$11,555,530 | \$12,939,619 | \$13,016,456 | \$12,876,055 | \$12,824,304 |
| Employee Cost | \$988,969 | \$1,107,503 | \$1,114,000 | \$1,065,137 | \$1,097,625 |
| District % Increase | | 11.98% | 12.64% | 11.43% | 10.98% |
| Employee % Increase | | 11.99% | 12.64% | 7.70% | 10.99% |

| Based On (5/31/08) | |
|--------------------|-----|
| Single | 644 |
| Family | 586 |

| Current Plan Design Renewal Costs | |
|-----------------------------------|--------------|
| District | \$12,939,619 |
| Employee | \$1,107,503 |

Mounds View Public Schools
Medical RFP
Cost Analysis
January 1, 2009
Alternative Plan Design
\$1000 HDHP with VEBA

| Rates | Current HP Plan | HP Proposal \$1000 HDHP/VEBA | Medica Proposal \$1000 HDHP/VEBA | BCBS of MN Proposal \$1000 HDHP/VEBA | HP Proposal \$1000 HDHP/VEBA |
|-----------------------------------|--------------------|---------------------------------|-------------------------------------|---|---------------------------------|
| Single | \$459.87 | \$456.35 | \$431.00 | \$460.50 | \$451.79 |
| Family | \$1,278.53 | \$1,268.72 | \$1,198.26 | \$1,151.00 | \$1,256.03 |
| Monthly Premium | \$1,045,374.86 | \$1,037,359.32 | \$979,744.36 | \$971,048.00 | \$1,026,985.73 |
| Annual Premium | \$12,544,498.32 | \$12,448,311.84 | \$11,756,932.32 | \$11,652,576.00 | \$12,323,828.72 |
| VEBA Funding Costs ⁽¹⁾ | | \$908,000.00 | \$908,000.00 | \$908,000.00 | \$908,000.00 |
| VEBA Admn Costs ⁽²⁾ | | \$59,040.00 | \$59,040.00 | \$59,040.00 | \$59,040.00 |
| Total Annual Plan Costs | \$12,544,498.32 | \$13,415,351.84 | \$12,723,972.32 | \$12,619,616.00 | \$13,290,868.72 |
| Total Plan Cost Increase | | \$870,853.52 | \$179,474.00 | \$75,117.68 | \$746,370.40 |
| % Premium Increase | | 6.94% | 1.43% | 0.60% | 5.95% |
| Rate Guarantee - 1/1/10 | | 14% | 14% | N/A | 15% |
| Rate Guarantee - 1/1/11 | | N/A | N/A | N/A | 16% |

*If Dental Insurance placed with HealthPartners

Note: PEIP offered a proposal with rates at 14.18% above current. PreferredOne declined to quote.

| | | | | | |
|---------------------|--------------|--------------|--------------|--------------|--------------|
| District Cost | \$11,555,530 | \$12,433,972 | \$11,797,094 | \$11,729,294 | \$12,319,302 |
| Employee Cost | \$988,969 | \$981,380 | \$926,878 | \$890,322 | \$971,566 |
| District % Increase | | 7.60% | 2.09% | 1.50% | 6.61% |
| Employee % Increase | | -0.77% | -6.28% | -9.97% | -1.76% |

| | |
|--------------------|-----|
| Based On (5/31/08) | |
| Single | 644 |
| Family | 586 |

⁽¹⁾ Assumed funding deductible at 50%

⁽²⁾ Assumed admn cost at \$4 PPPM

| | |
|-----------------------------------|--------------|
| Current Plan Design Renewal Costs | |
| District | \$12,939,619 |
| Employee | \$1,107,503 |

Mounds View Public Schools
January 1, 2009 Renewal
Current Plan vs. HDHP with VEBA Plans

| | \$250-\$15 Current Plan | \$1000 Deductible/VEBA Alternative |
|---|--|--|
| In-Network | | |
| Lifetime Maximum | Unlimited | Unlimited |
| Plan Year OPM | \$2,000 / member \$5,000 / family | \$2,000 / member \$4,000 / family |
| Plan Year Deductible | \$250 / member \$750 / family | \$1,000 / member \$2,000 / family |
| Employer-funded VEBA | N/A | \$600 / single \$1,200 / family |
| Partial List of Covered Services | | |
| Preventive Care | | |
| Routine Physical Exam | 100% | 100% |
| Immunizations / Well Child Care | 100% | 100% |
| Mammograms / Pap Smears | 100% | 100% |
| Routine Eye Exams | 100% | 100% |
| Allergy Shots | 100% | 80% after deductible |
| Office Visits | \$15 copay | 80% after deductible |
| MRI / CT | 100% after deductible | 80% after deductible |
| Inpatient Hospital | 90% after deductible | 80% after deductible |
| Outpatient Hospital | 90% after deductible | 80% after deductible |
| Urgent Care | \$15 copay | 80% after deductible |
| Emergency Care | \$55 copay | 80% after deductible |
| Prescription Drugs (31-day supply) | Formulary Generic \$12 Formulary Brand \$24 | Formulary Generic; \$12 Formulary Brand; \$35 Non-Formulary; \$50 |
| Specialty Prescription Drugs | Formulary; 80% to max copay of \$200 | Formulary; 80% to max copay of \$200 |
| Mail Order Pharmacy (93-day supply) | Formulary Generic \$24 Formulary Brand \$48 | Formulary Generic; \$24 Formulary Brand; \$70 Non-Formulary; \$100 |
| Out-of-Network | | |
| Lifetime Maximum | \$1,000,000 | \$1,000,000 |
| Plan Year OPM | \$2,500 / member \$7,500 / family | \$4,000 / member \$6,000 / family |
| Plan Year Deductible | \$300 / member \$900 / family | \$2,000 / member \$3,000 / family |
| Co-insurance | 70% | 60% |

**Note: Plan design coverage differences from the current plan design are highlighted in yellow.

**Mounds View Public Schools ~ January 1, 2009
DENTAL CLAIMS ADMINISTRATION RFP RESPONSE
(Self-insured cost comparison)**

| INSURANCE COMPANY/ THIRD PARTY ADMINISTRATOR | DELTA DENTAL (CURRENT) | DELTA DENTAL | DELTA DENTAL | HEALTH PARTNERS | SOMI |
|---|---------------------------------------|-----------------------------------|---|---|-------------|
| Dental Network | Delta Dental N/A N/A | Delta Dental 3 Years N/A | HealthPartners Open Access 3 Years N/A | Premier Dental Group 5 Years** N/A | |
| Administrative Services Only (ASO) Fee Guarantee | \$6.70 N/A | \$4.95 N/A | \$4.40 N/A | \$3.45 N/A | |
| Dental Network Access Fee Guarantee | | | | | |
| ASO Fees: | | | | | |
| Rates per employee per month : Number of Employees or % of monthly paid claims | 1164 | | | | |
| Dental Network Access Fees: | | | | | |
| Rates per employee per month : Number of Employees or % of monthly paid claims | 1164 | | | | |
| Total ASO and Network Fees | \$6.70 | \$4.95 | \$4.40 | \$4.60 | |
| Projected Monthly ASO and Dental Access Fees | \$7,799 | \$5,762 | \$5,122 | \$5,354 | |
| Projected Annual ASO and Dental Access Fees | | \$69,142 | \$61,459 | \$64,253 | |
| 3-year Administration Fees | | \$207,425 | \$184,378 | \$192,758 | |
| Carrier's Projected Monthly Paid Claims | \$59,653 | \$65,873 w/run-in | \$63,325 w/o run-in* | \$68,958 w/o run-in* | |
| PROJECTED TOTAL PLAN COSTS: | | | | | |
| MONTHLY | \$67,452 | \$71,635 | \$68,447 | \$74,312 | |
| ANNUAL | n/a \$809,422 | n/a \$859,618 | \$15,508 \$836,867 | \$15,508 \$907,257 | |
| PROJECTED ANNUAL PLAN SAVINGS/(COSTS): | N/A | \$50,196 | \$27,446 | \$97,835 | |
| Percentage Change | N/A | 6.20% | 3.39% | 12.09% | |
| One-Time Set-Up Fees (Not included above) | | | | | |
| Administration | N/A | N/A | N/A | \$1,000 | |
| Dental Network | N/A | N/A | N/A | N/A | |
| * Dental Network Comparison (Seven County Metro): | | | | | |
| Total Practitioners | 1628 | 1628 | 1280 | 2324 | |
| Total Offices | 1097 | 1097 | 817 | 622 | |
| General Practitioners | 1281 | 1281 | 1005 | 1970 | |
| Oral Surgeons | 80 | 80 | 77 | 89 | |

* Does not include the unpaid claims incurred prior to the effective date of coverage (approximately \$15,508) that will have to be paid through Delta Dental if a change is made.

**SOMI's proposal includes a rate guarantee for the first 3 years on the ASO Fee. Year 4; increase \$.20, Year 5; increase \$.20. In addition, SOMI will waive first month \$1.95 PEPM of admn fee if run-out/run-in is done by Delta