

Board of County Commissioners
Workshop Item

Date of Meeting: March 11, 2008
Date Submitted: March 5, 2008
To: Honorable Chairman and Members of the Board
From: Parwez Alam, County Administrator *PA*
Lillian W. Bennett, Director of Human Resources *LWB*
Subject: Consideration of Alternative Cost Saving Measures for Leon County's Employee Health Insurance Program

Statement of Issue:

This agenda item provides the Board a summary of potential cost saving measures that may be obtained through the adoption of alternative health insurance plan designs and/or employer-employee contribution strategies for Leon County's Employee Health Insurance Program, and whether to issue a Request for Proposals (RFP) for Health Insurance Services (Attachment #1).

Background:

Leon County currently contracts with Capital Health Plan (CHP) and United Healthcare (UHC) for employee health insurance services. The health insurance program covers Board and Constitutional Office employees, as well as retirees and COBRA participants. For Plan year 2006, Leon County issued an RFP for employee health insurance services. Additionally, Leon County secured the services of Mercer Consulting Services to provide an analysis of the RFP submissions, benchmarking of comparable health insurance trends and practices, and negotiation of 2006 plan year rates.

The RFP process resulted in Agreements with three insurance carriers, Capital Health Plan, Vista Health Plan, and United Healthcare. Each Agreement has a three-year term, ending on December 31, 2008, with an option for three one-year renewals for a maximum contract period of six years which, if exercised, would end the Agreement in December 2011. Upon award of the RFP, Leon County experienced a no increase (0%) in overall premium rates for the 2006 Plan year and a 1.33% increase in premium rates for the 2007 Plan year. This resulted in significant savings, since historically Leon County experienced double digit renewal increases averaging 15% per year.

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At the July 10, 2007 Board meeting, staff presented the 2008 plan year renewal for employee health care services (Attachment #2). Staff recommended the CHP/Blue Cross Blue Shield dual HMO/PPO option with a rate increase of 7%. The Board approved UHC (38% rate increase) and CHP (4.6% rate increase) in order to finish out the term of the three-year term Agreement ending December 31, 2008. Vista no longer offered its current plan design and was not approved for the 2008 plan year. Additionally, the Board directed staff to research ways in which to reduce the County's health care costs and, if necessary, issue an RFP for County health insurance services for the 2009 plan year.

For the 2007 plan year, the total cost of health insurance was \$13.4 million. Leon County's employer cost at the 92.5% contribution rate was \$12.4 million. Table #1 reflects the enrollment and annual cost for the County's health insurance program for the 2007 plan year.

Table #1
2007 Enrollment and Insurance Cost by Provider

	CHP	United	Vista	Total
Enrollment as of December 2007	1141	117	147	1405
Enrollment %	81%	8%	11%	100%
Leon County Contribution 92.5%	\$10,151,011	\$924,500	\$1,365,068	\$12,440,579
Employee Contribution 7.5%	\$823,055	\$74,959	\$110,681	\$1,008,695
Total Estimated Insurance Cost 100%	\$10,974,066	\$999,459	\$1,475,749	\$13,449,274

Analysis:

The total cost of health insurance for the 2008 plan year is estimated at \$14.4 million. Leon County's cost at the 92.5% employer contribution rate is \$13.3 million. Employees currently contribute approximately \$1.1 million (7.5%) of the total cost of health insurance annually. Table #2 reflects the estimated enrollment and annual cost of health insurance for the 2008 plan year:

Table #2
2008 Estimated Enrollment and Insurance Cost by Provider

	CHP	United	Total
Enrollment as of February 2008	1261	149	1410
Enrollment %	89%	11%	100%
Leon County Contribution 92.5%	\$11,614,304	\$1,676,412	\$13,290,716
Employee Contribution 7.5%	\$941,700	\$135,925	\$1,077,625
Total Estimated Insurance Cost	\$12,556,004	\$1,812,337	\$14,368,341

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An industry indicator of the cost of health insurance is the "Cost per Covered Employee". The "cost per covered employee" is Leon County's employer share of the total cost of health insurance as compared to the number of enrollees. Table #3 provides a summary of the estimated "cost per covered employee" for the 2008 plan year:

Table #3
Leon County 2008
Average Health Insurance Cost per Covered Employee

Plan Year	CHP	United	Overall Average Cost Per Covered Employee
Enrollment	1261	149	1410
Enrollment %	89%	11%	100%
Leon County Cost 92.5%	\$11,614,304	\$1,676,412	\$13,290,716
Estimated Average 2008 Cost Per Employee	\$9,210.00	\$11,251.00	\$9,426.00
Additional average cost per covered employee over CHP	N/A	\$2,041	
2008 estimated annual cost over CHP	N/A	\$392,275	

As reflected in Table #3, the cost per covered employee varies dependent upon the provider selected by the employee. CHP's cost is \$9,210 per covered employee. However, UHC's cost is \$11,251 per covered employee. UHC costs equate to an average additional cost of \$2,041 annually per covered employee. The estimated 2008 plan year annual additional cost for the 149 employees enrolled in UHC is \$392,275 (\$1.7 million if enrolled in UHC versus \$1.3 million for CHP). A comparison of actual cost per covered employee by coverage type for CHP and UHC is shown in Attachment#3.

Cost Saving Strategy #1 - County Maximum Dollar Contribution Not To Exceed that of Lowest Cost Provider

One cost saving strategy is for Leon County to pay a maximum dollar contribution not to exceed that of the lowest cost provider. The employee would be responsible for any cost above or exceeding what the County pays the lowest cost provider. The amount the employee pays will vary depending on the type of coverage selected; single, employee +1, or family coverage, and the cost of that coverage from the lowest cost provider.

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Table #4 provides an example of how this cost saving strategy would work for family coverage:

**Table #4
Cost Saving Strategy #1 – Family Coverage Example**

2008 Plan Year	Current Monthly Premiums		Proposed Cost Saving Strategy #1	
	CHP	United	CHP	United
Employer - 92.5%	1,016.95	1,327.62	1,016.95	1,016.95 ¹
Employee - 7.5%	82.46	107.65	82.46	418.32 ²
Total Monthly Premium	1,099.40	1,435.27	1,099.40	1,435.27

¹United and CHP monthly employer contribution amounts are equal to both providers. ²United employee monthly premium increased from \$107.65 to \$418.32 (increase of \$335.86). CHP employee monthly premiums remain the same.

The Family Coverage example in Table #4 shows that the employee enrolled in CHP would continue with the same monthly premium of \$82.46. However, the UHC enrolled employee's monthly premium would increase from \$107.65 to \$418.32, an increase for the employee of \$335.86. Leon County's employer contribution to UHC would decrease from approximately \$1,327.62 per month to an estimated \$1,016.95 per month which is the same amount that is contributed to the lowest cost provider of employees enrolled in CHP. The amount of dollars contributed would thereby be equalized for both providers. This strategy would result in a savings to Leon County of approximately \$392,000. The employer/employee contribution rate would remain 92.5%/7.5% for CHP enrollees and would change to 71%/29% for UHC enrollees with this strategy.

The disadvantage of Strategy #1 in cost savings is that the employee premium cost may become unaffordable for employees enrolled in UHC. As such, a number of employees may switch to CHP for a lower cost insurance product. Additionally, UHC may not be able to maintain enough enrollees to continue providing health insurance services. UHC currently has only 11% (149 employees) of the total County enrollment.

Current Plan Design

Leon County currently has a health insurance plan design that is considered benefit rich by most industry and local standards. The current plan design has low co-pays for prescriptions and most health services. Prescription drug co-pays are \$7/\$20/\$35 and are categorized as either generic/preferred band/non-preferred brand. CHP and United currently offer the same basic plan design. The primary difference between the two providers is that UHC offers their enrollees access to a national network (Choice Plus) that also provides some out of network benefits. This feature of the UHC plan design is appealing to employees seeking medical services outside of the Leon County area, including retirees or those close to retirement and COBRA participants.

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The following is a brief summary of the current medical services plan design and co-pays for both CHP and United:

Table #5
Current Plan Design Co-Pays for Health Services by Provider

Benefits	CHP HMO - Co-Pays	United HMO- Co-Pays
Office Visits Primary Care Physician	\$10	\$10
Office Visits Specialist	\$10	\$10
Hospital Emergency Room	\$100	\$100
Prescription Co-pays	\$7/\$20/\$35	\$7/\$20/\$35
National Network	Away from Home Care	Yes - Choice
Out-of-Network Benefits	Emergencies Only	Yes - Choice Plus

A detailed summary of the current Leon County plan design is shown in (Attachment #4).

Local Market Comparisons

A comparative plan design of Leon County, City of Tallahassee, Leon County School Board and the State of Florida is shown in Attachment #5. The City of Tallahassee and the Leon County Board contract with CHP/BCBS as the healthcare provider. The School Board has recently eliminated Vista and United Healthcare from its list of providers. These entities provide employees with plan designs which have slightly higher co-pays for prescriptions and medical services, and, in some instances, higher employee contribution percentages. As a result, the cost per covered employee for health insurance is lower than that of Leon County as follows:

Table #6
Local Market Government Healthcare Cost Comparisons

	Leon County	City of Tallahassee	Leon County School Board	State of Florida
Average Health Cost Per Covered Employee	\$9,426	\$6,393	\$5,574	N/A
% Above/(Below) Leon County		(32%)	(41%)	N/A
Family Coverage Example :				
Employer/Employee Contribution Percentage	92.5%/7.5%	84%/16% ¹	60%/40%	82%/18%
Employer Monthly Premium	\$1,016.94	\$876.84	\$742.40	\$835.98
Employee Monthly Premium	\$82.46	\$171.46	\$490.22	\$180.00
Total Monthly Premium	\$1,099.40 ²	\$1,048.30	\$1,232.52	\$1,015.98 ³

¹Assumes employee Flex Dollars in the amount of \$164 are applied to family coverage.

²Amount reflects CHP total monthly premium. UHC total monthly premium for family coverage is \$1,435.27.

³State of Florida pays 100% of the cost of health insurance for more than 20,000 Select Exempt employees.

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A detailed comparison of Employee/Employer premium rates by coverage type and contribution percentages for government entities within the local market area are shown in Attachment #6. Staff has prepared an analysis of potential cost savings based on current plan designs submitted by CHP during the 2008 renewal process. UHC did not offer the current plan design with variations in prescription drug co-pays during the 2008 renewal process and, as a result, this analysis only provides the potential cost savings associated with CHP. CHP has 90% of the total 1,410 employee enrollment.

Cost Saving Strategy #2

- Maintain Current CHP Plan Design
- Implement variations in prescription co-pays and/ or employer contribution percentage.
 - **Strategy 2A** – Maintains the current plan design and no change in prescription drug co-pays; however, provides potential cost savings by changing the employer contribution percentage from 92.5% to either 90%, 87.5% or 85%. The maximum savings under this strategy is \$941,701.
 - **Strategy 2B** – Maintains the current plan design but changes the prescription drug co-pays from \$7/\$20/\$35 to \$10/\$25/\$40. Provides additional cost savings by changing the employer contribution from 92.5% to either 90%, 87.5% or 85%. The maximum savings realized under this strategy is \$1,047,802.
 - **Strategy 2C** – Maintains the current plan design but changes the prescription drug co-pays from \$7/\$20/\$35 to \$15/\$35/\$50. Provides additional cost savings by changing the employer contribution from 92.5% to either 90%, 87.5% or 85%. The maximum savings realized under this strategy is \$1,278,552.

Table #7 provides a complete summary of the cost savings realized from CHP by maintaining the current plan design and making changes in either prescription drug co-pays and/or changes in employer contribution percentages:

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Table #7
Cost Saving Strategy #2
Current CHP Plan Design w/ Drug Co-pay and Employer Contribution Variations

Cost Saving Strategies	CHP 2008 Total Cost	Employer Contribution Percentage/Cost Savings			
		92.5%	90%	87.5%	85%
Current Cost	\$12,,556,004	\$11,614,304			
Estimated Annual Savings					
Strategy 2A – Maintain Current Plan Design Prescription Co-pays \$7/\$20/\$35		\$0	\$313,900	\$627,800	\$941,701
Strategy 2B Inc. Prescription Co-pays - \$10/\$25/\$40		\$144,846	\$454,831	\$764,817	\$1,074,802
Strategy 2C Inc Prescription Co-pays \$15/\$35/\$50		\$366,574	\$670,567	\$974,559	\$1,278,552

Alternative Plan P Design (Reduced Benefits)

In the 2008 plan year renewal process, CHP provided alternative plan designs with reduced benefits and slightly higher co-pays for medical services and prescription drugs. The Alternative Plan P Design is shown in Table #8 and is compared to the current plan design.

Table #8
Comparison of CHP Current and Alternative Plan P (Reduced Benefit) Design

Benefits	Current Plan Design Co-Pays	Alternative Plan P Design Co-Pays
Office Visits		
Primary Care Physician/After hours	\$10/\$15	\$15/\$20
Office Visits Specialist	\$10	\$25
Outpatient surgical procedures	\$10	\$25
Hospital Emergency Room	\$100	\$100
Prescription Co-pays	\$7/\$20/\$35	Vary/Plan Selected
Diagnostic, MRI,PET & CT Scans	\$0	\$100
Hospital Services, Mental Health Inpatient and Maternity Inpatient	\$0	\$250 per Admission
National Network	Away from Home Care	Away from Home Care
Out-of Network Benefits	Emergencies Only	Emergencies Only

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Attachment #7 provides a side-by-side comparison of the current plan design and Alternative Plan P design with slightly higher co-pays for prescriptions and medical services:

If the Board chooses Alternative Plan P (Reduced Benefits), staff has prepared cost savings strategies for this option as follows:

Cost Saving Strategy #3

- Alternative Plan P (Reduced Benefits)
- Implement variations in prescription co-pays and/ or employer contribution percentages.
 - **Strategy 3A** – Reduces the current plan design and no change in prescription drug co-pays; however, provides potential cost savings by changing the employer contribution percentage from 92.5% to either 90%, 87.5% or 85%. The maximum savings under this strategy is \$1,172,843.
 - **Strategy 3B** – Reduces the current plan design and changes the prescription drug co-pays from \$7/\$20/\$35 to \$10/\$25/\$40. Provides additional cost savings by changing the employer contribution from 92.5% to either 90%, 87.5% or 85%. The maximum savings realized under this strategy is \$1,497,134.
 - **Strategy 3C** – Reduces the current plan design and changes the prescription drug co-pays from \$7/\$20/\$35 to \$15/\$35/\$50. Provides additional cost savings by changing the employer contribution from 92.5% to either 90%, 87.5% or 85%. The maximum savings realized under this strategy is \$1,699,939.

Table #9
Cost Saving Strategy #3
 Alternative Plan P (Reduced Benefits) w/ Drug Co-pay and Employer Contribution Variations

Cost Saving Strategies	CHP 2008 Total Cost	Employer Contribution Percentage/Cost Savings			
		92.5%	90%	87.5%	85%
Current Costs	\$12,,556,004	\$11,614,304			
<u>Estimated Annual Savings</u>					
Strategy 3A – Alternative Plan P (Reduced Benefits) Prescription Co-pays \$7/\$20/\$35		\$251,537	\$558,639	\$865,741	\$1,172,843
Strategy 3B Inc. Prescription Co-pays - \$10/\$25/\$40		\$607,379	\$904,864	\$1,202,348	\$1,499,833
Strategy 3C Inc Prescription Co-pays \$15/\$35/\$50		\$825,142	\$1,116,741	\$1,408,340	\$1,699,939

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Monthly employee/employer premium rates for Cost Saving options reflected in Strategy #2 (Table #7) and Strategy #3 (Table #9) are shown in Attachment #8. In addition, Attachment #8 provides a summary of employer annual costs and average "cost per covered employee" for Strategy #2 and Strategy #3.

Request for Proposals

At the July 10, 2007 meeting, the Board directed staff to research ways in which to reduce the County's health care cost and, if necessary, issue an RFP for County health insurance services for the 2009 plan year. Attached is the draft RFP used in the 2005 RFP process. The current Agreements with CHP and UHC have a three-year term, ending on December 31, 2008, with an option for three one-year renewals for a maximum contract period of six years which, if exercised, would end the Agreement in December 2011. The Board has the option to exercise the one year extension provision under this agreement for the 2009 renewal or issue an RFP for healthcare services.

Additionally, the Florida Association of Counties (FAC Health Insurance Program) has approached staff and is interested in providing health care services to Leon County employees. The program is underwritten by Aetna Health Insurance Company. This plan offers different plan types and plan designs. A FAC/Aetna Health Insurance brochure is attached with additional details about the program (Attachment #9). The FAC/Aetna Health Insurance Partnership currently provides medical services in Sarasota, Lee, Polk and Charlotte Counties representing 14,000 members.

Staff requested a proposal from Mercer Consulting services to provide consulting services for the review of proposals, benchmarking data, and negotiate rates with healthcare providers. Mercer presented a proposal with a cost of \$48,000 (Attachment #10). Mercer provided RFP review services in 2005 resulting in a savings to Leon County of more than \$600,000.

The need for the services of a consultant could potentially be reduced if the Board chooses to issue an RFP requesting proposals from exclusive providers with the ability to offer a national network instead of multiple providers. An exclusive provider arrangement can produce lower renewal rates since all employees are with one provider. In addition, the RFP review and analysis process can be significantly streamlined if the Board chooses a plan design and contribution strategy up-front, prior to the issuance of the RFP. The Health Insurance RFP committee can then perform the analysis instead of contracting with a consultant. If the Board chooses to issue the RFP requesting proposals with exclusive and multiple provider arrangements, plan designs and contribution strategies, then staff recommends contracting with a consultant for the extensive review that is required.

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Issue Request for Proposal

If the Board chooses to issue an RFP, Board direction is required on the structure of the RFP on following issues:

1. Exclusive Provider or Multiple Providers
2. Local Network Only or Local and National Network
3. Plan Design (Current Plan Design or Alternative Plan P (Reduced Benefit Design)
4. Employee/Employer Contribution Strategy (Table #7 and #9)
5. Policy Decision on Whether County Maximum Contribution is Not to Exceed Lowest Cost Provider (Multiple Provider) or Lowest Cost Plan(Single Provider with Multiple Plan Designs)
6. Contract with Mercer for Consulting Services

Extend Current Agreements

If the Board decides not to RFP and extends the current agreements with CHP and UHC, staff requests Board direction on the following issues in order to begin the renewal process for the 2009 plan year:

1. Plan Design (Current Plan or Alternative Plan P (Reduced Benefit Plan)
2. Employee/Employer Contribution Strategy (Table #7 and #9).
3. Policy Decision on Whether County Maximum Contribution is Not to Exceed that of Lowest Cost Provider (Cost Saving Strategy #1 - \$392,000)

County Retirees

In choosing a County health plan and provider, Board consideration should also be given to County retirees who pay 100% of the cost of their health insurance, as well as those retirees that reside outside of Leon County and therefore need access to a national network. Included in Attachment #11 are the current CHP Medicare Advantage rates for those retirees that are 65 years or age or older. Retirees under age 65 pay the full cost of health insurance.

County Opt-Out Program

Leon County currently provides a \$300/month Opt-Out payment to 131 employees at an estimated cost of \$472,000 for the 2008 plan year. These employees elect not to enroll in the County's health plan and provide proof of medical coverage outside of Leon County. This program saves the County an estimated \$1.1 million per year (Attachment #12). In addition, these employees and their families are not included in the County's medical claims experience which is used in determining annual rate increases.

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3. Plan Design (Current Plan Design or Alternative Plan P (Reduced Benefit Design))
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5. Policy Decision on Whether County Maximum Contribution is Not to Exceed Lowest Cost Provider (Multiple Provider) or Lowest Cost Plan (Single Provider with Multiple Plan Designs)
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1. Plan Design (Current Plan or Alternative Plan P (Reduced Benefit Plan))
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Joint Board and Constitutional Staff Recommendation

On Thursday, February 28, 2008, staff met with representatives of each of the Constitutional Offices regarding the County's Health Insurance Program. Board staff and Constitutional representatives jointly recommend the following actions by the Board:

1. Extend the current agreement with Capital Health Plan and United Healthcare for the 2009 plan year.
2. Adopt Cost Saving Strategy #1 (\$392,000) – County Maximum Health Insurance Contribution Not to Exceed that of Lowest Cost Provider, currently CHP. Effective, January 1, 2009, employees enrolled in UHC pay the additional premium cost above that of CHP.
3. Based on enrollment numbers as a result of action #2, if UHC determines that they can no longer provide health services to Leon County, the joint recommendation is to contract with CHP/BCBS as the exclusive provider of medical services and request multi-tiered plan designs (Current Plan Design, Alternative P Reduced Benefit Plan Design, and BCBS PPO).
4. In the CHP/BCBS exclusive provider, multiple plan design arrangement, adopt County Maximum Health Insurance Contribution Not To Exceed that of Lowest Cost Plan Design. Employee pays additional cost of plan design with higher level of benefits/costs and plan with access to the BCBS nationwide network.

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Options:

1. Extend the current Agreements with Capital Health Plan and United Healthcare for the 2009 plan year.
2. Adopt Cost Saving Strategy #1 (\$392,000) – County maximum health insurance contribution not to exceed that of the lowest cost provider, currently Capital Health Plan. Effective, January 1, 2009, employees enrolled in United Healthcare pay the additional premium cost above that of CHP.
3. Based on enrollment numbers as a result of #2 above, if UHC determines that they can no longer provide health services to Leon County, the joint recommendation is to contract with CHP/BCBS as the exclusive provider of medical services and negotiate a multi-tiered plan design (Current Plan Design, Reduced Benefit Plan Design, and Blue Cross Blue Shield national network).
4. In the Capital Health Plan/Blue Cross Blue Shield exclusive provider, multiple plan design arrangement, adopt the maximum health insurance contribution not to exceed that of the lowest cost provider design. Employee pays additional cost of plan design with higher level of benefits/costs and plan with access to the Blue Cross Blue Shield nationwide network.
5. Approve the issuance of a Request for Proposal for Employee Health Insurance Services for the 2009 plan year. To structure the Request for Proposal, staff requires Board direction on the following:
 - a. Request proposals from Exclusive Providers only, with the ability to provide a local and national network for health care services; or
 - b. Request proposals for both exclusive and multiple provider arrangements with several plan designs and contribution strategies, and approve contracting with Mercer consulting services in the amount of \$48,000 to perform the extensive review required
 - c. Select a plan design and contribution strategy from either Cost Saving Strategy #2 – Current Plan Design) or Cost Saving Strategy #3 – Alternative Plan P - Reduced Benefit Plan Design.
6. Maintain the current Capital Health Plan and United Healthcare multiple provider arrangement, current plan design, and current 92.5%/7.5% contribution strategy for both providers.
7. Board Direction.

Recommendation:

Options #1, #2, #3 and #4. (Joint Board/Constitutional Office staff recommendation)

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Attachments:

1. 2005 RFP for Health Care Services
2. July 10, 2007 Agenda Item, Approval to Award County Employee Health Insurance Services for the 2008 Plan Year
3. Comparison of actual "cost per covered employee" by coverage type for CHP and UHC
4. Current Leon County Plan Design
5. Comparative plan design of Leon County, City of Tallahassee, Leon County School Board and the State of Florida
6. Comparison of Employee/Employer premium rates by coverage type and contribution percentages for government entities within the local market area
7. Side-by-side comparison the Current plan and Alternative Plan P (Reduced Benefits) design
8. Monthly employee/employer premium rates for Cost Saving options reflected in Strategy #2 (Table #7) and Strategy #3 (Table #9).
9. FAC/Aetna Health Insurance Brochure
10. Mercer Consulting Services Proposal
11. Retiree Medicare Advantage Rates
12. Opt-out Program Analysis

PA/LWB/EP