

# Memorandum



**Date:** November 7, 2013

**To:** Honorable Chairwoman Rebeca Sosa  
and Members, Board of County Commissioners

**From:** Carlos A. Gimenez  
Mayor 

**Subject:** 2014 Health Benefits Plan Renewals and Dependent Premium Rates

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The Executive Insurance Committee, comprising of senior County staff and a member of Jackson Health Systems (JHS), recently met on October 8, 2013 to establish the 2014 dependent premium rates, 2014 AvMed Administrative Services Only (ASO) fees, and review Dental and Vision Plan Renewals.

The Committee recommendations are as follows:

- Maintain 2014 premium rates flat for Miami-Dade County and Jackson Health System employees;
- Adjust retiree rates as required;
- Reduce premium rates by three percent for the optional Oral Health Services (OHS) Dental plan coverage;
- Maintain MetLife and Delta dental/vision optional premium rates flat.

I am pleased to extend to our employees the benefit of maintaining dependent medical premium rates flat for the third year in a row. Our original projections called for dependent premiums to be increased by ten percent and the employer contribution increased by 25 percent. It should be noted that while we were able to maintain dependent premiums flat, the County's contribution to healthcare increased by 26 percent for FY 2013-14.

### 2014 Dependent Premium Rates

As you are aware, the County's group medical health plan is self-funded and dependent premiums are established by the County based on recommendations made by our benefits consultant, Gallagher Benefits Services, Inc. The consultant analyzes and reviews plan costs and projects the amounts needed to fund anticipated claims and to underwrite administrative costs for the following calendar year. The annual medical trend was estimated at eight percent for medical/pharmacy and five percent for capitated services. To date, actual claims activity has been lower than expected in 2013. The favorable claims activity may be attributed to various factors (i.e. fewer lives covered, change in plan design in 2013, and change in behavior have all contributed to this positive outcome). As a result, it is recommended to maintain dependent premium rates flat for calendar year 2014.

While overall claims activity was favorable, there was a sharp increase in the Medicare retirees' prescription utilization. Average increases of 2.6 percent for Pre Medicare retirees and 16.4 percent for Medicare retirees are recommended for the retiree groups.

### Administrative Services Only Fees

In initial discussions with AvMed regarding the 2014 ASO fees, AvMed proposed increasing the current ASO fee from \$30.77 to \$32.67. After negotiations, AvMed agreed to the ASO fee at \$31.17. The increase in ASO fees is due to lower than expected drug rebate credits. The national progression has been away from brand medications and towards generics. This trend has resulted

in lower rebates, which are driven by brand utilization. AvMed moved Nexium, a popular drug, from the 3rd to the 2nd formulary tier, to make it more appealing to members. The move is expected to generate additional rebates. AvMed is committed to working on other initiatives which may yield further cost savings and/or rebates.

2014 Dental and Vision Plan Renewal

The County offers employees various fully insured options for dental and vision coverage:

- The County successfully negotiated a three percent rate reduction to Humana's OHS Dental Plan.
- Delta Dental Insurance Company submitted a premium increase for 2014. Through negotiations, the County was able to maintain premium rates flat for 2014 and 2015 by agreeing to exercise the option to renew the contract through 2015 without bidding the plan. A bid will be required for the 2016 year.
- MetLife dental rates will remain flat for the 2014 plan year. MetLife Insurance Company originally submitted a 15 percent rate increase.
- Humana agreed to keep the Optix Vision Plan rates flat.

We are committed to working with our consultants, with AvMed, and with our Labor unions in an effort to continue to reduce the cost of healthcare and we continue to carefully monitor the provisions of the Affordable Care Act.

Should you have any questions, please contact Deputy Mayor Edward Marquez at 301-375-1451.

c: Honorable Harvey Ruvín, Clerk of the Courts  
R.A. Cuevas, Jr., County Attorney  
Office of the Mayor Senior Staff  
Department Directors  
Mike Snyder, Director Labor Relations, Compensation and Benefits Division  
Carlos Migoya, CEO, Jackson Health System  
Mark Knight, Executive Vice President/Chief Financial Officer  
Maria Huot-Barrientos, Senior Vice President & Chief Human Resources Officer