

**CITY OF MIAMI BEACH  
COMMISSION ITEM SUMMARY**



**Condensed Title:**

Group Employee Benefits as a result of RFP issued February 14, 2003 for plan year beginning October 1, 2003.

**Issue:**

Should the City accept the recommendations from Gallagher Benefits Services, the City's broker for employee benefits, as a result of the RFP Issued on February 14, 2003 for Group Employee Benefits?


**Item Summary/Recommendation:**

The City Administration recommends that the Commission accept the recommendations of the Gallagher Benefits Services for renewal of medical, dental, life insurance and voluntary benefits with the current carriers; awarding the Flexible Spending Accounts Administration to Fringe Benefits Management; and rejecting the bids from Pre-Paid Legal Services, Inc. and AARP for a supplemental Medicare plan.

**Advisory Board Recommendation:**

The Group Insurance Board agrees with the recommendations of the City Manager and Gallagher Benefits Services.

**Financial Information:**

Source of Funds:	Amount	Account	Approved	
 Finance Dept.	1	7,000,000.00	Medical	
	2	260,000.00	Dental	
	3	300,000.00	Life	
	4	8,000.00	Flex.	
	<b>Total</b>	<b>7,568,000.00</b>		

**City Clerk's Office Legislative Tracking:**

T. C. Adderly

**Sign-Offs:**

Department Director	Assistant City Manager	City Manager
		

F:\HUMAN\S&I\COMM-SUMMARY\summ-group ee benef rfp0-04.doc

AGENDA ITEM   R7B    
DATE   6-11-03

# CITY OF MIAMI BEACH


CITY HALL 1700 CONVENTION CENTER DRIVE MIAMI BEACH, FLORIDA 33139  
www.ci.miami-beach.fl.us



## COMMISSION MEMORANDUM

To: Mayor David Dermer and  
Members of the City Commission

Date: June 11, 2003

From: Jorge M. Gonzalez  
City Manager 

Subject: **A RESOLUTION OF THE MAYOR AND CITY COMMISSION OF THE CITY OF MIAMI BEACH, FLORIDA, ACCEPTING THE RANKING OF THE PROPOSALS RECEIVED FOR GROUP EMPLOYEE BENEFITS PURSUANT TO THE REQUEST FOR PROPOSALS ISSUED FEBRUARY 14, 2003, BY ARTHUR J. GALLAGHER AND CO., THE CITY'S BROKER FOR GROUP EMPLOYEE BENEFITS, AUTHORIZING THE ADMINISTRATION TO ENTER INTO NEGOTIATIONS WITH HUMANA, THE CITY'S CURRENT GROUP MEDICAL PROVIDER, FOR RENEWAL OF THE GROUP MEDICAL PROGRAM AND, IF SUCCESSFUL, AUTHORIZING THE MAYOR AND CITY CLERK TO EXECUTE AN AGREEMENT, FOR AN ESTIMATED ANNUAL PREMIUM NOT TO EXCEED \$14,000,000; AUTHORIZING THE ADMINISTRATION TO ENTER INTO NEGOTIATIONS WITH COMPBENEFITS, THE CITY'S CURRENT GROUP DENTAL PROVIDER, FOR RENEWAL OF THE GROUP DENTAL PROGRAM AND, IF SUCCESSFUL, AUTHORIZING THE MAYOR AND CITY CLERK TO EXECUTE AN AGREEMENT, FOR AN ESTIMATED ANNUAL PREMIUM NOT TO EXCEED \$520,000; AUTHORIZING THE ADMINISTRATION TO ENTER INTO NEGOTIATIONS WITH HARTFORD, THE CITY'S CURRENT PROVIDER OF GROUP LIFE, SUPPLEMENTAL LIFE AND STATUTORY LIFE INSURANCE, FOR RENEWAL OF THE GROUP LIFE, SUPPLEMENTAL LIFE AND STATUTORY LIFE INSURANCE PROGRAM AND, IF SUCCESSFUL, AUTHORIZING THE MAYOR AND CITY CLERK TO EXECUTE AN AGREEMENT, FOR AN ESTIMATED ANNUAL PREMIUM NOT TO EXCEED \$ 415,000 ; AUTHORIZING THE ADMINISTRATION TO ENTER INTO NEGOTIATIONS WITH FRINGE BENEFITS MANAGEMENT COMPANY TO PROVIDE A FLEXIBLE SPENDING PROGRAM AND, IF SUCCESSFUL, AUTHORIZING THE MAYOR AND CITY CLERK TO EXECUTE AN AGREEMENT, FOR AN ESTIMATED ANNUAL AMOUNT NOT TO EXCEED \$8,000 AND, IF UNSUCCESSFUL, AUTHORIZING THE ADMINISTRATION TO ENTER INTO NEGOTIATIONS WITH UNITED GROUP PROGRAMS, INC., THE CITY'S CURRENT PROVIDER OF THE FLEXIBLE SPENDING PROGRAM; AUTHORIZING THE ADMINISTRATION TO ENTER INTO NEGOTIATIONS WITH THE COMPREHENSIVE COMPANIES, THE CITY'S CURRENT BROKER FOR VOLUNTARY BENEFITS AND, IF SUCCESSFUL, AUTHORIZING THE MAYOR AND CITY CLERK TO EXECUTE AN AGREEMENT; FURTHER**

**REJECTING THE BID FROM PRE-PAID LEGAL, INC. AS THE SOLE BIDDER FOR A VOLUNTARY LEGAL PLAN; REJECTING THE BID FROM AARP FOR SUPPLEMENTAL MEDICARE INSURANCE AS THE SOLE BIDDER FOR SUPPLEMENTAL MEDICARE COVERAGE.**

**ADMINISTRATION RECOMMENDATION:**

Adopt the Resolution.

**ANALYSIS:**

As a result of the Group Employee Benefits RFP issued on February 14, 2003 by Arthur J. Gallagher & Co., the City's broker for group employee health benefits, twenty (20) vendors responded to eight (8) lines of coverage – Medical, Dental, Life, Accidental Death and Dismemberment, Statutory Life (Police Officers and Firefighters), Voluntary Benefits, Flexible Spending Accounts Administration and Medicare Supplements. Gallagher's recommendation letter, detailing each line of coverage, is attached (Attachment B). The Administration met with Gallagher Benefit Services beginning April 15, 2003 to review their recommendations from the RFP. The City Manager accepted their recommendations; the Group Insurance Board met on June 3, 2003 and agreed with the recommendations.

**MEDICAL:**

There were two (2) proposals received for medical insurance – from our incumbent carrier, Humana and from Cigna Healthcare. Cigna's proposal did not duplicate the benefits schedules as requested and the PPO was replaced by a POS product in an effort to reduce costs. Cigna also refused to quote on our retiree population on a fully insured basis. Humana submitted a renewal of 8% for the five existing plans and the Administration, and Group Insurance Board, recommends renewing with Humana with an estimated annual premium not to exceed \$14,000,000. This is a minimal increase in light of what is occurring in the current healthcare market with projections of 15-25% increases this year. The City's implementation last year of the low option plans, and the tier prescription benefit, has helped control the cost increase. This minimal increase in premium is allowing the Administration to recommend an increase in the percent the City pays toward premium costs for the low option plans. The Administration recommends increasing the amount the City pays from 65% to 75% for active employees and from 50% to 51% for family. This is for the low option plans only; the high options plans will remain at 50% City and employee and retirees. Participation in the low option plans is subject to negotiation with the C.W.A. and A.F.S.M.E. G.S.A. negotiated participation in the low option programs last year. The attached chart (Attachment A) indicates the new monthly employee premiums.

**DENTAL:**

There were six (6) proposals received for dental plans, including the incumbent carrier, CompBenefits with a renewal proposal of 3% over the current costs which is below dental plan trends. The other proposals offer no significant increase in benefit over the current plan, without a comparative increase in premium. In addition to the current DMO and PPO

plans that are offered to the City, CompBenefits is offering a second PPO that provides benefits reimbursable on a reasonable and customary basis, providing higher benefits to employees, at a higher cost. This increased cost, over the current PPO, will be paid by the employee. The Administration recommends renewal with CompBenefits for an estimated annual premium not to exceed \$520,000. The attached chart (Attachment A) indicates the new monthly employee premiums.

#### **LIFE, ACCIDENTAL DEATH & DISMEMBERMENT, SUPPLEMENTAL LIFE AND STATUTORY LIFE INSURANCE:**

There were proposals received from six (6) vendors including a renewal proposal from Hartford with a 36% increase in premium for the basic life only. The loss ratio over the past four years was 162% with billed premiums of \$577,213 versus incurred claims of \$894,842.

Despite this high loss ratio, Hartford held the increase to 36%. The renewal for accidental death, supplemental life and statutory life (for Police Officers and Firefighters) included no increase in premiums even though the supplemental life had a high loss ratio of 114%. The Administration recommends renewing with Hartford for an estimated annual premium not to exceed \$415,000.

#### **FLEXIBLE SPENDING ACCOUNT ADMINISTRATION:**

There were six (6) vendor responses for Flexible Spending Account Administration including from the incumbent, United Group Programs, Inc. Fringe Benefits Management's proposal was the most cost effective and beneficial to the employees with a maximum annual administrative cost of \$8,000. The Administration recommends negotiating a contract with Fringe Benefits Management for administration of the Flexible Spending Program. Participation in program by bargaining unit employees is contingent upon negotiation.

#### **VOLUNTARY BENEFITS:**

There were five (5) vendors responding to the request for voluntary benefit programs, including the City's current broker for voluntary benefits, The Comprehensive Companies. Voluntary benefits are fully paid by the employee with administration expenses absorbed by the City. One of the vendors, Pre-Paid Legal, Inc., was the only vendor submitting a proposal for legal services and the only program they offer. The Administration recommends rejecting the proposal from Pre-Paid Legal, Inc. as the sole bidder for legal services. The Administration recommends that employees should be surveyed as to their interest in a legal services plan before pursuing that plan. The Administration recommends continuing with The Comprehensive Companies for the current programs in place and any new programs the City may wish to implement over the term of the negotiated contract.

#### **MEDICARE SUPPLEMENTS:**

There was only one proposal received for Medicare supplementary coverage. This was from AARP, with the plan underwritten by United Health Care. The premiums offered under this program are no lower on a group basis than they are for an individual to pay on their own. In addition, the premium amounts vary by regions of the country. The Administration recommends rejecting the proposal.

**Summary:**

The renewal rate of 8% for medical coverage with Humana and 3% for dental coverage with CompBenefits indicates that the City's continued review of the programs offered is an important process for controlling health insurance costs while providing affordable, quality programs to the employees and retirees of the City of Miami Beach.

The Administration recommends accepting the evaluation, ranking, and recommendation of Gallagher Benefit Services of the proposals received for all lines of coverage as a result of this RFP.

JMG:MDB:TCA:pah

F:\HUMA\Sall\COMM-MEM\GpEmployee Benefits\Memo RFP03-04.doc

<b>EMPLOYEE MONTHLY RATES FOR MEDICAL INSURANCE - HUMANA</b>				
<b>CURRENT RATE (THRU 9/30/03)</b>			<b>NEW RATE EFFECTIVE 10/1/03</b>	
<b>HIGH OPTION HMO</b>			<b>HIGH OPTION HMO</b>	
EMPLOYEE (50%)	\$155.53		EMPLOYEE (50%)	\$167.96
FAMILY (50%)	\$385.49		FAMILY (50%)	\$416.33
<b>POS</b>			<b>POS</b>	
EMPLOYEE (50%)	\$199.89		EMPLOYEE (50%)	\$215.88
FAMILY (50%)	\$495.98		FAMILY (50%)	\$535.65
<b>HIGH OPTION PPO</b>			<b>HIGH OPTION PPO</b>	
EMPLOYEE (50%)	\$316.73		EMPLOYEE (50%)	\$342.06
FAMILY (50%)	\$777.08		FAMILY (50%)	\$839.24
<b>LOW OPTION HMO</b>			<b>LOW OPTION HMO</b>	
EMPLOYEE (35%)	\$100.57		EMPLOYEE (25%)	\$77.58
FAMILY (50%)	\$355.48		FAMILY (49%)	\$375.82
<b>LOW OPTION PPO</b>			<b>LOW OPTION PPO</b>	
EMPLOYEE (35%)	\$196.55		EMPLOYEE (25%)	\$151.63
FAMILY (50%)	\$686.30		FAMILY (49%)	\$724.64

<b>EMPLOYEE MONTHLY RATES FOR DENTAL PLANS - COMPBENEFITS</b>				
<b>CURRENT RATE (THRU 9/30/03)</b>			<b>NEW RATE EFFECTIVE 10/1/03</b>	
<b>DMO (50%)</b>			<b>DMO (50%)</b>	
EMPLOYEE	\$4.93		EMPLOYEE	\$5.08
EMPLOYEE +1	\$9.20		EMPLOYEE +1	\$9.48
FAMILY	\$11.97		FAMILY	\$12.33
<b>PPO (50%)</b>			<b>PPO (50%)</b>	
EMPLOYEE	\$11.01		EMPLOYEE	\$11.35
EMPLOYEE +1	\$21.24		EMPLOYEE +1	\$21.89
FAMILY	\$32.55		FAMILY	\$33.55
<b>PPO ELITE 400</b>			<b>NEW PPO ELITE 400 (50% OF REG.PPO + DIFF)</b>	
EMPLOYEE	NOT OFFERED		EMPLOYEE	\$18.23
EMPLOYEE +1	NOT OFFERED		EMPLOYEE +1	\$35.15
FAMILY	NOT OFFERED		FAMILY	\$53.87

**RESOLUTION NO.**

**A RESOLUTION OF THE MAYOR AND CITY COMMISSION OF THE CITY OF MIAMI BEACH, FLORIDA, ACCEPTING THE RANKING OF THE PROPOSALS RECEIVED FOR GROUP EMPLOYEE BENEFITS PURSUANT TO THE REQUEST FOR PROPOSALS ISSUED FEBRUARY 14, 2003, BY ARTHUR J. GALLAGHER AND CO., THE CITY'S BROKER FOR GROUP EMPLOYEE BENEFITS, AUTHORIZING THE ADMINISTRATION TO ENTER INTO NEGOTIATIONS WITH HUMANA, THE CITY'S CURRENT GROUP MEDICAL PROVIDER, FOR RENEWAL OF THE GROUP MEDICAL PROGRAM AND, IF SUCCESSFUL, AUTHORIZING THE MAYOR AND CITY CLERK TO EXECUTE AN AGREEMENT, FOR AN ESTIMATED ANNUAL PREMIUM NOT TO EXCEED \$14,000,000; AUTHORIZING THE ADMINISTRATION TO ENTER INTO NEGOTIATIONS WITH COMPBENEFITS, THE CITY'S CURRENT GROUP DENTAL PROVIDER, FOR RENEWAL OF THE GROUP DENTAL PROGRAM AND, IF SUCCESSFUL, AUTHORIZING THE MAYOR AND CITY CLERK TO EXECUTE AN AGREEMENT, FOR AN ESTIMATED ANNUAL PREMIUM NOT TO EXCEED \$520,000; AUTHORIZING THE ADMINISTRATION TO ENTER INTO NEGOTIATIONS WITH HARTFORD, THE CITY'S CURRENT PROVIDER OF GROUP LIFE, SUPPLEMENTAL LIFE AND STATUTORY LIFE INSURANCE, FOR RENEWAL OF THE GROUP LIFE, SUPPLEMENTAL LIFE AND STATUTORY LIFE INSURANCE PROGRAM AND, IF SUCCESSFUL, AUTHORIZING THE MAYOR AND CITY CLERK TO EXECUTE AN AGREEMENT, FOR AN ESTIMATED ANNUAL PREMIUM NOT TO EXCEED \$ 415,000 ; AUTHORIZING THE ADMINISTRATION TO ENTER INTO NEGOTIATIONS WITH FRINGE BENEFITS MANAGEMENT COMPANY TO PROVIDE A FLEXIBLE SPENDING PROGRAM AND, IF SUCCESSFUL, AUTHORIZING THE MAYOR AND CITY CLERK TO EXECUTE AN AGREEMENT, FOR AN ESTIMATED ANNUAL AMOUNT NOT TO EXCEED \$8,000 AND, IF UNSUCCESSFUL, AUTHORIZING THE ADMINISTRATION TO ENTER INTO NEGOTIATIONS WITH UNITED GROUP PROGRAMS, INC., THE CITY'S CURRENT PROVIDER OF THE FLEXIBLE SPENDING PROGRAM; AUTHORIZING THE ADMINISTRATION TO ENTER INTO NEGOTIATIONS WITH THE COMPREHENSIVE COMPANIES, THE CITY'S CURRENT BROKER FOR VOLUNTARY BENEFITS AND, IF SUCCESSFUL, AUTHORIZING THE MAYOR AND CITY CLERK TO EXECUTE AN AGREEMENT; FURTHER REJECTING THE BID FROM PRE-PAID LEGAL, INC. AS THE SOLE BIDDER FOR A VOLUNTARY LEGAL PLAN; REJECTING**

**THE BID FROM AARP FOR SUPPLEMENTAL MEDICARE INSURANCE AS THE SOLE BIDDER FOR SUPPLEMENTAL MEDICARE COVERAGE.**

**WHEREAS**, on February 14, 2003 a Request for Proposals for Group Employee Benefits was issued by Arthur J. Gallagher & Co, the City's broker for group employee benefits, with twenty (20) vendors responding; and

**WHEREAS**, on April 15, 2003, Arthur J. Gallagher & Co. began meeting with the City Administration to present it's evaluation of the proposals received in response to the Request For Proposals; and

**WHEREAS**, Arthur J. Gallagher & Co.'s recommendations are as follows:

- 1) renew its contract with Humana, the City's current group medical provider, with a combined renewal increase of 8%;
- 2) renew its contract with CompBenefits, the City's current group dental provider, with a combined renewal increase of 3%;
- 3) renew its contract with Hartford, the City's current group life, supplemental life and statutory life insurance with a renewal increase of 36% on the basic life insurance and no increase to the supplemental life and statutory life insurance;
- 4) enter into a contract with Fringe Management Benefits Company to provide a Flexible Spending Program at a cost not to exceed \$8,000, with this benefit to be negotiated with all bargaining groups;
- 5) to renew the City's contract with The Comprehensive Companies to provide Voluntary Benefits with these benefits being negotiated with all bargaining groups;
- 6) rejecting the bid from Pre-Paid Legal, Inc. as the sole bidder for legal services; and
- 7) rejecting the bid from AARP for Supplemental Medicare insurance as the sole bidder; and

**WHEREAS**, the City Manager has reviewed and agreed with the aforesated recommendations of Arthur J. Gallagher & Co.

**WHEREAS**, these recommendations were presented to the Group Insurance Board on June 3, 2003 with the Board agreeing with the recommendations and the City Manager; and

**NOW, THEREFORE, BE IT DULY RESOLVED BY THE MAYOR AND CITY COMMISSION OF THE CITY OF MIAMI BEACH, FLORIDA**, that the Mayor and City Commission hereby accept the ranking of the proposals received for group employee benefits pursuant to the request for proposals issued February 14, 2003, by Arthur J. Gallagher and Co., the city's broker for group employee benefits, authorizing the Administration to enter into negotiations with Humana, the City's current group medical provider, for renewal of the group medical program and, if successful, authorizing the Mayor and City Clerk to execute an agreement, for an estimated annual premium not to exceed \$14,000,000; authorizing the Administration to enter into



negotiations with CompBenefits, the City's current group dental provider, for renewal of the group dental program and, if successful, authorizing the Mayor and City Clerk to execute an agreement, for an estimated annual premium not to exceed \$515,000; authorizing the Administration to enter into negotiations with Hartford, the City's current provider of group life, supplemental life and statutory life insurance, for renewal of the group life, supplemental life and statutory life insurance program and, if successful, authorizing the Mayor and City Clerk to execute an agreement, for an estimated annual premium not to exceed \$ 415,000; authorizing the Administration to enter into negotiations with Fringe Benefits Management Company to provide a flexible spending program and, if successful, authorizing the Mayor and City Clerk to execute an agreement, for an estimated annual amount not to exceed \$8,000 and, if unsuccessful, authorizing the Administration to enter into negotiations with United Group Programs, Inc., the City's current provider of the flexible spending program; authorizing the Administration to enter into negotiations with The Comprehensive Companies, the City's current broker for voluntary benefits and, if successful, authorizing the Mayor and City Clerk to execute an agreement; further rejecting the bid from Pre-Paid Legal, Inc. as the sole bidder for a voluntary legal plan; rejecting the bid from AARP for supplemental Medicare insurance as the sole bidder for supplemental Medicare coverage.

**PASSED AND ADOPTED** this \_\_\_\_\_ day of \_\_\_\_\_, 2003

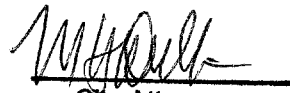
**ATTEST:**

\_\_\_\_\_  
**CITY CLERK**

\_\_\_\_\_  
**MAYOR**

F:\HUMA\Sall\COMM.RES\GroupEmployeeBenefitsRFPyr03.doc

**APPROVED AS TO  
FORM & LANGUAGE  
& FOR EXECUTION**

  
\_\_\_\_\_  
City Attorney

5-28-03  
Date



May 27, 2003

Jorge M. Gonzalez, City Manager  
City of Miami Beach  
1700 Convention Center Drive  
Miami Beach, Florida 33139

Re: RFP #23-02/03 Employee Benefits Recommendations

Dear Mr. Gonzalez,

At the City of Miami Beach's request, we released a Request for Proposal (RFP) for all currently offered group employee benefits. The request included Medical, Dental, Life, Accidental Death and Dismemberment, Statutory Accidental Death and Dismemberment, Voluntary Benefits, Flexible Spending Account Administration and Medicare Supplements. A vendor list has been provided illustrating what carriers were supplied the RFP and those that responded by product (See exhibit A). In addition, the RFP was posted on Demand Star by the City, giving all subscribers the opportunity to provide bids on any or all lines of coverage. Recommendations will be discussed below.

Medical proposals were requested on both a fully insured and self funded basis. Additionally, we requested the "carving out" of the pre-medicare retirees to determine if any additional savings could be realized by self-funding this segment of the City's population. Responses were received from the incumbent carrier Humana, and Cigna Healthcare. Cigna's proposal did not duplicate the benefit schedules as requested. Plan deviations resulted in an estimated 16.3% decrease in benefits. In addition, the current PPO was replaced with POS product in an effort to reduce costs. Cigna also declined to quote the retirees on a fully insured basis. The reinsurance related to the self-funded portion of the plan was quoted on an immature basis, meaning no coverage is afforded for claims paid after the end of the plan year. Reinsurance premiums and aggregate factors were adjusted to represent a mature year. Cigna's approach leaves the City at risk for the highest cost population segment. Humana indicated they could provide a proposal for self funding the retirees and fully insuring the active employees, however they would not provide reinsurance for the retirees. We discussed with reinsurers if they would offer reinsurance on such a risk and they declined as well.

The current two tier rating system was reviewed versus a three tier system in an attempt to better match the medical renewal rates to the City's employee and dependent distribution. This reallocation caused a significant increase to the family rate and will be revisited at the next renewal.

One Boca Place  
2255 Glades Road, Suite 400 E  
Boca Raton, FL 33431  
561.995.6706  
Fax 561.995.6708  
www.ajg.com

Attachment B



Lastly, provider reimbursements were evaluated and no remarkable differences were found. Given the plans proposed by the carriers, the overall impact of the discount arrangements produces a slight advantage to Humana. The Cigna proposal offer no significant advantage to the City taking into account plan designs funding arrangements and overall pricing.

Gallagher Benefit Services recommends that the City renew with Humana effective October 1, 2003, maintaining the existing five plans with an increase of 8% over current costs. Humana's renewal also reflects the changes the City made last plan year with the addition of the Low Option plans with higher copayments and deductibles as well as a prescription drug formulary. Humana's renewal is very good in light of current trends of 15- 25% in renewal increases.

CompBenefits, the incumbent dental carrier, offered a renewal of the existing DMO and PPO scheduled benefit plans at a 3% increase over current costs. If the City desires, a third plan with benefits reimbursable on reasonable and customary basis, providing higher benefits to the employees at an increase in cost, paid by the employees, can be offered in addition to the existing plans. Additional proposals were received from 6 vendors, several of which attempted to duplicate costs as closely as possible while others priced their standard benefit plans.

Delta Dental most closely matched the existing plan costs, but in doing so, compromised the benefits offered. Although savings could be realized through lower premiums, covered employees and their dependents could experience increased expense through provider balance billing.

Safeguard offered three DMO options and one PPO. As pricing on the DMO's became competitive, benefits were reduced below those currently offered. PPO pricing for family coverage was significantly higher than current costs.

Cigna's dental proposal called for premium increases on both products without offering dramatic benefit enhancements.

Humana offered a competitive employee rate for the DMO, but dependent costs again were higher than current costs. Humana's PPO proposal called for significant premium increases.

Reliance Standard proposed a dental PPO plan only also at an increase in cost.

In all instances, the DMO and PPO products could not be unbundled, thus eliminating the opportunity to mix and match carriers with the most competitive products. The alternative proposals do not offer any significant benefit to the employees unless the increase in costs is absorbed by both the City and its employees. CompBenefits renewal, at an increase of 3% is below Dental trend and we recommend renewal of the current offerings. Offering an additional plan with greater benefits, with the additional cost borne by the employees, is an option to be considered.



The Life, AD&D, Retiree, Statutory AD&D and Supplemental Life Insurance Request for Proposal was forwarded to 15 life insurance carriers for quotation. Six responses were received including the incumbent renewal.

Current loss history is attributable to the “average” number of responses. The basic life incurred loss ratio from the period 10/1/98 – 11/30/02 was 162% with a billed premium of \$577,213 versus incurred claims of \$894,842. Despite the high loss ratio, Hartford reduced the original renewal from \$0.33/\$1,000 to \$0.30/\$1,000. This represents a 36% increase over current cost. The annual increase in the basic life premium is \$61,000, of which, the City and the employees share equally.

In addition, supplemental life results were also poor. The incurred loss ratio for the same period was 114%. The Hartford renewal however, reflected no change to the current rates.

Alternate proposals were received. Vendors and respective costs are outlined in the attached Exhibit B. Proposing carriers were requested to split their basic and optional life proposals to develop a more cost effective package for the City; however the carriers declined to do so stating higher than inforce supplemental life rates and the concern on adverse selection. It was also apparent that a few proposing carriers attempted to cost shift from the basic life to the supplemental life with the participation requirements protecting their overall premium requirements. Should these participation requirements not be met during the open enrollment, benefits currently in place could be lost. The incumbent carrier, Hartford is recommended for renewal of the Basic Life and AD&D and Supplemental Life at the proposed renewal rates. Statutory Life is also recommended for renewal at the current inforce rates.

Requests for Flexible Spending Account Administration produced 6 responses including United Group Plan, Inc., the incumbent. Alternate proposals varied in both the services provided and the costs associated. Several of the proposals received, required the offering of voluntary products to validate the administration costs, which did not conform to the RFP. Others could not provide the desired automated features the City desires, to maximize employee satisfaction and ease of administration.

Fringe Benefit Management’s proposal offers reduced overall cost to the City and can meet the objectives mentioned above and is recommended to assume the administration of the Flexible Spending Account effective October 1, 2003.

Requests were also made for alternate voluntary employee paid benefits. Proposals received offered no significant benefit or cost enhancements to the employees of Miami Beach and we recommend continuing to offer the current benefits through Comprehensive Companies.



Pre-paid Legal Services Inc. was the only vendor to provide a bid on group legal services. We recommend that City surveys its employees to determine interest in this benefit. We do not recommend that the City accept Pre-paid Legal's proposal at this time.

We received a Group Medicare supplement Program from the AARP. This plan is underwritten by United Health care. The program requires a minimum City contribution of \$50.00 per month per retiree electing the plan, and pays the first year AARP membership (\$12.50 per household) for all eligible employees. The AARP premiums are no lower under group provision than if the retiree enrolled on an individual basis and they also vary by State. We recommend that the City rejects the AARP proposal on a group basis.

We appreciate the opportunity to work with the City of Miami Beach and its staff and will answer any questions that may arise.

Sincerely,

Richard G. Schell  
Assistant Area Vice President