

## M E M O R A N D U M

**TO:** Governing Board Members

**FROM:** Sandra Close Turnquest, Deputy Executive Director, Corporate Resources

**DATE:** September 10, 2009

**SUBJECT:** Health Care Administrative Services Only (ASO) Contract – Contract No. 4600001886

### **Background**

On August 11, 2004, the District entered into a 5-year contract with CIGNA HealthCare of Florida (CIGNA) to provide employee group insurances – specifically medical, dental, and vision coverage for District employees, retirees, and their eligible dependents. This plan is underwritten by CIGNA on a fully-insured basis and will expire on December 31, 2009.

Staff recommends:

- a) Replacing the current “fully-insured” traditional health care arrangement with a “self-funded” program under which the District assumes a portion of the underwriting risk – with appropriate levels of aggregate and stop-loss insurance (\$300,000) in place;
- b) Retaining CIGNA as the administrator of the plan to ensure that current plan designs and existing networks of health care providers are maintained; and
- c) Modifying certain aspects of the District benefit plan and continuing specific health care cost containment strategies.

The District is requesting to enter into a new 3-year administrative services only (ASO) contract with CIGNA Healthcare of Florida, with 2 one-year renewals, beginning January 1, 2010 through December 31, 2014, in an amount not to exceed \$75.00 per enrollee (includes ASO, stop loss, and network access fees) subject to negotiation annually with a total five year contract amount not to exceed \$10.0 million, subject to Governing Board approval of the FY10 through FY14 budgets.

### **How this helps meet the District’s Mission?**

The District’s compensation and benefits package allows the District to remain competitive in the South Florida and national marketplace. The provision of high quality, cost effective and competitive employee health care insurance allows the District to achieve one of its major strategic priorities of “retaining and recruiting a high-quality, diverse workforce”.

### **Funding Source**

Funding associated with the provision of employee medical dental and vision coverage is provided through a combination of sources such as employee and retiree contributions as well as District ad valorem sources.

**This Board item impacts what areas of the District, both resource areas and geography?**

The impact is District-wide and affects all resource areas of the District.

**What concerns could this Board item raise?**

With Governing Board approval of this contract, staff will be authorized to negotiate directly with CIGNA -- for administrative and processing services associated with the plan's implementation. With self-funding, a portion of the associated risk for providing employee health care will be transferred to the District – with appropriate levels of aggregate and stop-loss insurance in place. Staff recommends retaining CIGNA as plan administrator to ensure that existing plan designs and networks of providers are maintained.

**Why should the Governing Board approve this item?**

The provision of high quality, competitive health care insurance is a critical component in the District's overall vision to become one of the world's premier water resource agency and in achieving its strategic priority of retaining and recruiting a high-quality, diverse workforce.

Thank you for your review. If you have any questions, please do not hesitate to contact me at extension 6351.

SCT/AB/kk