



# District School Board of Pasco County

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## **MEMORANDUM**

**TO:** Honorable Board Members

**FROM:** Kendra Goodman, CPPB, Purchasing Agent

**RE:** RFP 03-122, Health Insurance Plan, Blue Cross/Blue Shield of Florida  
RFP 03-122, Pharmacy Benefits Management, Walgreen's Health Initiatives  
Fourth Year of Five-Year Agreements

On July 22, 2003, official actions (attached) were taken to award the District's health insurance plan to Blue Cross/Blue Shield of Florida (BCBS), and pharmacy benefits management to Walgreen's Health Initiatives. These agreements are five-year contracts, renewable annually at the mutual consent of the parties. The third year of both agreements will expire on December 31, 2006.

### **Health Insurance Plan**

The Insurance Committee has been in negotiations with Blue Cross/Blue Shield for several months. Negotiations have resulted in better options and cost savings opportunities both to the Board and to employees.

For the 2007 calendar year, it is the recommendation of the Insurance Committee that the Board offer two medical plans: the HMO that has been offered in past years and Blue Options Plan #1749, which will replace the PPO that had been offered in the past. The Blue Options plan has qualities of both an HMO and a PPO, in that the employee has the choice to stay in network and pay co-pays similar to our current HMO plan. They also have an out-of-network option with higher co-pays, coinsurance and a slightly higher annual out-of-pocket maximum, similar to the PPO.

For 2007, the cost to the Board for the HMO will be \$344.65 per employee, per month, and the cost for the Blue Options plan will be \$316.86 per employee, per month. To encourage employees to move from the HMO to the Blue Options plan, it is the Insurance Committee's recommendation that the Board offer a one-time, \$150 contribution per employee toward dependent premiums or flexible spending accounts or the purchase of voluntary benefits.

There would be no additional cost to employees for single coverage, such as the PPO premium that has been required in the past. Also, dependent premiums under the Blue Options plan would be less than the HMO's 2007 renewal rate. For example, in 2006, employees pay \$341.48 per month to cover one dependent under the HMO plan. Next year, under the HMO plan, employees would pay \$363.89 to cover one dependent, and under the Blue Options plan, employees would pay \$334.54 to cover one dependent.

Eligible employees who have medical coverage from another source may "opt-out" of the Board's medical coverage. The Board currently pays a small stipend to eligible employees to encourage them to take advantage of this option. Since January 2004, the amount of this stipend has been \$1,008 annually. As of January 2007, it is recommended that the annual stipend amount be \$1,200.

### **Pharmacy Benefits Management**

Although the Board is self-insured for its prescription plan, Walgreens Health Initiatives provides the Pharmacy Benefit Management services to the Board. Walgreens has offered the Board increased discounts and rebates as part of their 2007 renewal.

For 2006, the Board has paid for generic drugs at a 17% discount at retail stores and 54% discount for mail order. Under the renewal agreement for 2007, generics sold at retail stores will have a 22% discount and mail order generics will have a 57% discount. The Board currently receives rebates in the amount of \$2.30 per prescription sold at a retail store. Under the renewal agreement, the Board will also receive a rebate in the amount of \$5.75 for each 90-day mail order prescription (which accounts for approximately 10% of prescription claims). As a result of the renewal negotiations, Walgreens has also agreed to make the increased discounts and rebates effective October 1, 2006, instead of waiting for the new plan year in January 2007.

### **Summary**

The Board currently contributes \$150 per employee, per year, for employer-paid options. Employees may select from 12 options including dependent premium reduction or bundled products (such as \$15,000 term life insurance plus maximum disability income protection). It is the Insurance Committee's recommendation that the Board's contribution for these options remain the same for 2007. Under these recommendations, the total cost to the Board for medical coverage will be \$4,900.96 per employee, per year, an increase of \$189.14 (4%) per employee from 2006. This total includes medical, opt out stipend, pharmacy, mental health and substance abuse treatment, dental, life insurance, employer-paid options and district administrative costs.

On July 25, 2006, the District's Insurance Committee unanimously voted to renew these agreements for the 2007 calendar year. Therefore, at this time it is my recommendation to enter into the fourth year of the agreements with Blue Cross/Blue Shield of Florida and Walgreen's Health Initiatives, under existing terms and conditions. The contract terms will be January 1 – December 31, 2007. Should you have any questions or wish to discuss this matter further, please feel free to contact Mary Tillman, Director of Employee Benefits, or me at your earliest convenience.

KDG/az

Date/Time