



# TOWN OF LAUDERDALE-BY-THE-SEA

## AGENDA ITEM REQUEST FORM

**Finance**

Department Submitting Request

*Day Hoag*  
Dept Head's Signature

Commission Meeting Dates	Last date to turn in to Town Clerk's Office	Commission Meeting Dates	Last date to turn in to Town Clerk's Office	Commission Meeting Dates	Last date to turn in to Town Clerk's Office
<input type="checkbox"/> May 25, 2010	May 14 (5:00 p.m.)	<input type="checkbox"/> July 27, 2010	July 16 (5:00 p.m.)	<input type="checkbox"/> Oct 26, 2010	Oct 15 (5:00 p.m.)
<input type="checkbox"/> June 8, 2010	May 28 (5:00 p.m.)	<input type="checkbox"/> Aug 25 2010*	Aug 13 (5:00 p.m.)	<input type="checkbox"/> Nov 9, 2010	Oct 29 (5:00p.m.)
<input type="checkbox"/> June 22, 2010	June 11 (5:00 p.m.)	<input checked="" type="checkbox"/> Sept 14, 2010	Sept 3 (5:00 p.m.)	<input type="checkbox"/> Nov 23, 2010	Nov 12 (5:00p.m.)
<input type="checkbox"/> July 13, 2010	July 2 (5:00 p.m.)	<input checked="" type="checkbox"/> Sep 27, 2010	Sept 17 (5:00 p.m.)	<input type="checkbox"/> Dec 14, 2010	Dec 3 (5:00p.m.)
		<input type="checkbox"/> Oct 12, 2010	Oct 1 (5:00p.m.)		

\* Subject to change

**NATURE OF AGENDA ITEM**

- Presentation
- Ordinance
- Old Business
- Reports
- Resolution
- New Business
- Consent Agenda
- Quasi Judicial
- Other

**SUBJECT TITLE: RENEWAL OF GROUP HEALTH INSURANCE POLICY WITH THE FLORIDA MUNICIPAL INSURANCE TRUST**

**EXPLANATION:**

The town currently provides group health insurance benefits to employees, eligible dependents, retirees and several former employees who are in their COBRA benefits extension period. The group health insurance has been provided thru the Florida League of Cities insurance arm – the Florida Municipal Insurance Trust (FMIT) since October, 2008. The FMIT is a pooled risk program that provides coverage to 63 member municipalities, including LBTS. The FMIT pays no broker fees and is organized as a buying consortium under Florida Statute 112.08. Florida statutes allow municipalities to deal directly with the FMIT without having to use a broker. In fact, FMIT will only deal directly with a municipality and does not respond to broker requests for coverage quotes.

The FMIT insurance premium increased approximately 9% in October, 2009 and FMIT recently announced that an increase of 17.5% would take effect October, 2010 for Town of Lauderdale-By-The-Sea. While the increase seems significant, it is the result of general industry conditions and the fact that the town has had a loss ratio of 110% since it began participating in the program. While the purpose of the pool is to share risk, the town has had one large claim (over \$50,000) that has resulted in the higher increase. All FMIT members will see a rate increase this year which will range from 6% to 21%, depending on their loss ratio. And, while some of the private insurers are starting to build in an additional 1 – 2% in premium increases for the anticipated cost of health care reform, the FMIT has not.

Due to the degree of the increase, I contacted Rhodes Insurance, a Broward firm specializing in providing group health brokerage services to local municipalities. Rhodes' representative advised me that they have seen increases as high as 65% in the standard health insurance market (i.e. non-pool) recently and that the trend this year in south Florida has been for increases in the range of 10.5 – 18%, even for employers with break even loss ratios of around 80%.



# TOWN OF LAUDERDALE-BY-THE-SEA

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While the FMIT does have other less health insurance programs available, a quick review indicated the savings achieved by converting to one of them would not be significant due to our high loss ratio in the past year.

The proposed FY 2011 budget contains adequate funds to cover the increase and we did not have sufficient time to hire a broker to test the competitive market for other coverage before our renewal date of October 1. Although under the Town's purchasing policy, insurance policies are exempt from bidding requirements, in light of increasing costs, we recommend that the Town take a deliberate approach prior to the renewal next year that would start with hiring an insurance broker/agent of record.

#### COST

The Town currently pays 100% of the premium cost for an employee and 50% of the cost for eligible dependents. The Town Manager discusses the contribution rates in more detail in the attached memorandum.

The total estimated cost of the Town's contribution for health insurance for the employees with the premium hike is approximately \$262,000. Adequate funds are contained in the proposed FY 2010-11 budget for that amount.

#### RECOMMENDATION:

Approve the renewal of all of the group health insurance coverage with FMIT, effective October 1, 2010. An attachment to this agenda item lists the rates and plan agreement.

#### EXHIBITS:

##### ATTACHMENTS

Memo dated September 24, 2010 from Town Manager

A – FMIT Position Paper

B – FMIT Rate Tables

#### FISCAL IMPACT AND APPROPRIATION OF FUNDS:

Funds are available in the about to be newly adopted FY 2011 budget.

- Amount \$262,000       Acct # : various department accounts  
 Transfer of funds required       From Acct # \_\_\_\_\_

Town Attorney review required

- Yes       No

Town Manager's Initials: \_\_\_\_\_

# Town of Lauderdale-by-the-Sea

## OFFICE OF THE TOWN MANAGER

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### Memorandum

**Date:** September 24, 2010

**To:** Mayor Roseann Minnet  
Commissioner Stuart Dodd  
Commissioner Birute Clottey  
Commissioner Scot Sasser  
Commissioner Chris Vincent

**From:** Connie Hoffmann, Interim Town Manager 

**Subject:** Employee Health Insurance

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In this item on health insurance renewals, Acting Finance Director Doug Haag has provided the new rates to renew various employee health-related insurance policies and explained how the health insurance pool the Town participates in works.

Currently, the Town pays 100% of the individual employee's health insurance premiums, and 50% of the cost of coverage for the employee's spouse and/or children. We searched for documentation that prior Town Commissions approved this rate of contribution toward employee insurance, but found no evidence of a vote on the matter. (The Town Clerk checked Commission minutes files going back to the 1960s and only found one reference to employer contributions rates and that dated back over 30 years ago for the police union.) It appears that these employer contribution policies have been in place for a long period of time. A former Town Manager indicated they were in place when he came to work for the Town in the 1990s.

As indicated in Doug's agenda item, the Town is faced with a 17.5% increase in health insurance costs effective October 1. Although adequate funds are contained in the new budget to cover this increase, cost escalation of that significance is a concern..

The table on the next page illustrates how the premium increases affect both the Town and the employees.

Category Coverage	Increase in Town's Cost	Increase in Employee Cost's	Total Annual Town Cost	Total Annual Employee Cost
(Per) Employee Coverage	\$77.48 mo / \$929.76 yr	0	\$6,242.76	0
Spouse Coverage	\$38.74 mo / \$464.88 yr	\$38.74 mo / \$464.88 yr	\$3,121.50	\$3,121.50
Each Child (Up to 2 Children)	\$31.00 mo / \$371.94 yr	\$31.00 mo / \$371.94 yr	\$2,497.20 Per Child	\$2,497.20 Per Child
Family Coverage (Spouse & All Children)	\$85.23 mo / \$1,022.76 yr	\$85.23 mo / \$1,022.76	\$6,867.18	\$6,867.18

Perhaps because of the cost of family coverage, only one employee currently carries family coverage.

As insurance premiums have steadily increased in the last decade, many employers have begun to shift more of the cost of health insurance to the employee, particularly for family coverage, or have modified the insurance plans to reduce premiums by raising deductibles, copays and other out-of-pocket expenses. The Town has only been with FMIT for a few years and I assume they switched to FMIT because the costs were less than what the Town could find, as a small employer, on the open market.

Health insurance is a benefit very important to employees, but it is the most costly of all employee benefits to the Town as a percent of salary paid for all but the executive staff. From a labor relations perspective, changes in health coverage or implementation of a different cost sharing arrangement for insurance are best done via a collaborative approach in which the employees are educated about the options and the costs of various types of coverage and provide input on the options that might reduce our costs as well as theirs. (Lauderdale –by-the-Sea is somewhat unusual in that more than half of the employees only have single coverage, which the Town pays for in entirety, so they are not really feeling the impact of rising health insurance premiums. The employees who pay a portion of the cost of coverage for their spouse and/or children are likely more aware of the cost of insurance.)

I recommend that we renew our policy with FMIT effective October. We considered going out to bid the coverage when we received news of the size of the premium increase last month, but realized we did not have time to select a broker of record and go to market before the current policy year expires. And, as Doug noted in the agenda item, we found that most employers are also experiencing significant policy cost increases.

Next year we should carefully evaluate our options. In the Spring we should select a broker and have them identify different health insurance options that would reduce costs, then review the options with the employees or an employee committee. We would also survey other small South Florida cities to see what they are paying for coverage and what their cost-sharing arrangements are with their employees. The broker would then seek proposals from a variety of health insurance providers and pools, share the results with the employee committee, get our renewal proposal from FMIT, and make recommendations to the Commission on which plan to select and how the employee participation in the cost should be structured.

I am certain that some residents reading this memo, and perhaps the Commission too, will feel that the insurance benefit is generous, particularly in this economy. While the employees have benefitted by the Town's contribution policy on health insurance, it should be noted that another aspect of their compensation –salaries – lags the market. Most Town employees' salaries fall in the lower part of the salary range for their positions, a situation that is quite uncommon in government. The Town has no progressive pay system, so employees do not move through the pay range as they master their jobs and perform satisfactorily through the years. Right now, most people are happy to have a job but as the economy improves we will need to be more competitive to retain our best performers. In the upcoming fiscal year, I'll bring a proposal to the Commission for a system to reward and incentivize good and superior performance.

CH/mi



Town of  
**LAUDERDALE-BY-THE-SEA**

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4501 Ocean Drive, Lauderdale-by-the-Sea, Florida 33308-3610  
Telephone: (954) 776-0576 / Fax (954)776-1857

## **ATTACHMENT A**

*The Florida Municipal Insurance Trust  
Position Paper  
Health Coverage Alternatives*

May 2009

### ***Introduction***

The Florida Municipal Insurance Trust developed this position paper because of the importance for municipalities to provide employees with quality health coverage at the best value. Given the recent state of our economy, municipalities benefit greatly when alternative resources are uncovered. Currently, municipal administrative personnel are multi-tasking and struggle to find time to look for more affordable options. Premium dollars need to provide broader coverage and services for employees. It is the intent of this paper to present municipalities with alternative ways to explore options for coverage.

The recommendations included are not intended to negate advice from your designated municipal attorney. We encourage members and potential members to ask questions and gather information to make informed decisions.

### ***FMIT Group Health Benefits***

The FMIT was developed around the core belief that employers and employees desire benefit coverage that includes access to quality healthcare, lower premiums and excellent customer service. The Trust provides group health benefit packages such as medical, dental, vision, term life and short-term disability. The FMIT offers affordable and competitive rates. Underwriters and other experienced staff handle customer service, medical management and claims processing in-house.

### ***Obtaining a Quote***

An insurance carrier should be willing to do the brunt of the work when generating a rate quote. Many municipalities are hesitant to participate in this process because of a few misconceptions, mainly that it is time consuming or that the bid process requires a municipality to notify or solicit all eligible insurers.

Time is of the essence [Time is money], a good insurer is fully aware of this. To receive a quote, a municipality should only need to provide a few key documents at the beginning of the process. Typically these documents will include an eligible employee census, application, brief questionnaire and claims history if the group is of adequate size. After the initial information is exchanged, the municipality likely has no other related responsibilities.

If a municipality chooses to contract with professional administrators or insurance companies for health/accident/life/hospitalization coverage, then according to Section 112.08, Florida Statutes, the local government must advertise for competitive bids before entering an insurance contract. However, also according to Section 112.08, local governments are eligible to self-insure or enter a risk management consortium to accomplish the same. This latter portion of 112.08 is distinct from earlier language in that it does not directly indicate that the local government must advertise for competitive bids when self-insuring and/or entering a risk management consortium.



Town of  
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This should provide much relief to municipalities interested in a consortium, as a competitive bid process can be time consuming.

***Working with the FMIT***

The Florida Municipal Insurance Trust arguably possesses qualities of both an insurance carrier and a consortium. The Trust is unique in that the funds a member contributes to cover its own risks are the same funds used to cover all members who pool together in a consortium approach to protect against the collective risks of all members. Accordingly, the Trust is in great position to deliver a competitive quote to your municipality without the hassle of a formal bid process. It is in the best interest of your citizens and employees to provide the best coverage for the most affordable price. Exploring alternatives is a valuable resource that should not be overlooked.

***Background***

The Florida Municipal Insurance Trust, governed and administered by the Florida League of Cities, provides workers' compensation, liability, auto, property and health insurance to governmental entities in Florida. The Trust, which is owned by participating members, is now one of the largest programs of its kind. It offers custom policies and lower rates through a unique revenue-sharing plan that saves participants millions of dollars per year. Of the 410 towns, cities and villages in the state of Florida, 63 percent hold coverage with the Trust.

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*The FMIT and its individual members or their firms may not agree with all provisions of this position paper. Questions regarding content should be directed to Jeannie Garner, managing director of the Florida Municipal Insurance Trust and Investment Services.*



## ATTACHMENT "B"

Administration

Policy Holder Relations

Financial Services Underwriting

Post Office Box 530065  
Orlando, FL 32853-0065

Health Claims

Post Office Box 538140  
Orlando, FL 32853-8140

Workers' Compensation Claims

Property & Liability Claims

Post Office Box 538135  
Orlando, FL 32853-8135

1(800) 445-6248  
(407) 425-9142  
Fax: (407) 425-9378

[www.flcities.com](http://www.flcities.com)

**To: Members of the Florida Municipal Insurance Trust**

**From: The Administrator, Florida League of Cities, Inc.**

**Re: FY 2010-2011 Medical, Dental, Life, Vision and Short-Term  
Disability Premium Rates**

**Date: August 16, 2010**

Attached are your 2010-2011 Fund Year renewal rates. Please take a moment to review the enclosed materials. Your renewal pricing reflects an increase of 17.50 % in Medical Premium Rates and your claims experience, and an increase in the cost of re-insurance purchase by the trust for the 2010-2011 Fund Year.

There will be an increase in Medicare Supplement rates of 5.60%. Vision and short-term disability rates will remain the same.

We appreciate your decision to place your insurance with the Trust and will continue to strive to provide customer service at a level that is the "best in the business".

As always, we are prepared to answer any questions you may have about your insurance program. Please feel free to contact Joann Underwood at the League's Orlando office at (407) 367-1764 or (800) 445-6248 ext 1764.

Please sign and return your 2010- 2011 fund year coverage agreement.

Enclosure



# LAUDERDALE-BY-THE-SEA

## Florida Municipal Insurance Trust

Rates Effective October 1, 2010

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### HEALTH INSURANCE

	Current 2009-2010 Rates	Renewal 2010-2011 Rates
Employee Only	\$442.75	\$520.23
Spouse Only	\$442.77	\$520.25
Child(ren) Only	\$354.21	\$416.20
Family Only	\$974.07	\$1,144.53

### DENTAL INSURANCE

	2009-2010 Rates	2010-2011 Rates
Employee Only	N/A	N/A
Family Only	N/A	N/A

### LIFE & AD&D INSURANCE

	2009-2010 Rates, per \$1000	2010-2011 Rates, per \$1000
Employee Only	N/A	N/A
Family Only	N/A	N/A

### VISION INSURANCE

	2009-2010 Rates	2010-2011 Rates
Employee Only	N/A	N/A
Family Only	N/A	N/A

### MEDICARE SUPPLEMENT INSURANCE

	2009-2010 Rates	2010-2011 Rates
Employee	\$346.87	\$366.29

### SHORT TERM DISABILITY INSURANCE

	2009-2010 Rates, per \$10	2010-2011 Rates, per \$10
Employee	N/A	N/A

*Town of Lauderdale by the Sea  
Coverage Agreement  
October 1, 2010*



The following Coverage Agreement outlines, in detail, the coverages and premiums agreed upon by the Florida Municipal Insurance Trust and the Town of Lauderdale by the Sea.  
The effective date of this agreement is October 1, 2010.

**Coverage / Plans**

Medical Coverage

Cigna HealthCare Plan 1-O, Rx Copays \$15/\$30/\$45 2.5x for mail order \$37.50/\$75/\$112.50

Medicare Supplement

**Premiums**

Cigna Plan 1-O

Employee	\$520.23
Employee + Spouse	\$1,040.48
Employee + Child(ren)	\$936.43
Employee + Family	\$1,664.76

Medicare Supplement = \$366.29 per retiree per month

**Other Specified Items**

Retirees, Age 65 and Older - Mandatory Coverages

Medicare Part A

Medicare Part B

Prescription Drug Coverage

Waiting Period

Disclosure

CCC request

Dependent SSN for enrollment

**Signatures**

\_\_\_\_\_  
Representative, Florida Municipal Insurance Trust

\_\_\_\_\_  
Date

\_\_\_\_\_  
Representative, Town of Lauderdale by the Sea

\_\_\_\_\_  
Date