

Florida Government Finance Officers Association

Your professional resource for education, networking, leadership and information.

July/August 2004



BOARD OF DIRECTORS

President

George J. McGowan, CPA
(407) 246-3084
george.mcgowan@cityoforlando.net

President-Elect

Gib Mitchell, CGFO, CPFO
(941) 954-4185
gibson_mitchell@sarasotagov.com

Secretary/Treasurer

Amy Elliott, CPA, CGFO, CPFO
(321) 674-5886
aelliott@melbourneflorida.org

Directors

Bill Bogan, Jr., CPA, CGFO
(850) 577-4020
billb@mail.co.leon.fl.us

Pamela Childers, CPA, CGFO
(850) 435-1818
pchilders@ci.pensacola.fl.us

Linda Davidson, CPA, CGFO
(561) 393-7737
ldavidso@ci.boca-raton.fl.us

James M. Dwyer, CPA
(850) 487-9031
jimdwyer@aud.state.fl.us

Mark Fostier, CPA, CGFO, CPFO
(407) 836-5690
mark.fostier@occompt.com

Ricky G. Helms, CGFO, CGFM
(863) 402-6520
rhelms@bcc.co.highlands.fl.us

Francine L. Ramaglia, CPA
(561) 791-4110
framaglia@ci.wellington.fl.us

Jeffrey R. Smith, CPA, CGFO
(772) 567-8000 ext. 1395
jeffsmith@irctax.com

Director of Administrative Services

Jeannie Garner
(850) 222-9684
jgarner@ilcities.com

Save the date! 2004 School of Governmental Finance

November 15-19, 2004
Sawgrass Marriott
Ponte Vedra Beach, Florida

What Is the Impact of the New Medicare Prescription Drug Benefit?

By Corey N. Berger, F.S.A., Senior Consultant, Reden & Anders, Ltd.

Introduction

On December 8, 2003, President Bush signed into law the "Medicare Prescription Drug, Improvement, and Modernization Act of 2003." Two of the primary goals of this legislation were to offer a prescription drug discount card to Medicare recipients starting in 2004 and, more importantly, an insured prescription drug benefit to Medicare recipients starting in 2006. These new benefits, along with the restrictions imposed on the ability of Medigap policies to offer prescription drug coverage to new enrollees starting in 2006, will have a significant impact on prescription drug coverage for the Medicare population and could have an impact on coverage for the commercial population. The total annual cost to the Federal government of this new prescription drug coverage was originally estimated at \$400 billion, but those estimates have increased since the legislation was passed. For purposes of this article, our estimates are based on this \$400 billion estimate. If the actual costs are higher, the distribution among recipients would likely be the same while the dollar amounts would increase.

The impact of this legislation on the entire pharmaceutical distribution chain, including pharmaceutical manufacturers, pharmacy benefit managers (PBMs), pharmacies, insurers, employers, and insureds, is still unclear. For all of these entities, a number of questions will need to be answered in order to determine the impact:

- Who in the distribution chain will see the \$400 billion estimated cost, and how much will each entity see? How much of the \$400 billion is to cover ad-

ditional utilization created by the drug card in 2004 and the insured benefit in 2006 versus just shifting costs to the federal government (i.e. does the pie grow or just get reallocated)?

- How will the Medicare prescription drug plan affect the commercial market? Will pharmacies reduce the discounts they offer to PBMs, insurers, and employers in order to compensate for the loss of cash-paying customers, and will pharmaceutical manufacturers reduce their average rebates per prescription?
- What will potential Prescription Drug Plans (PDPs) offer as benefits? Among those Medicare Advantage plans offering prescription drug plans (MA-PDs), what benefits will be offered? And will any offer supplemental benefits?

(continued on page 11)

Inside Highlights

President's Message	2
Member Spotlight	3
It's About You	3
FGFOA Welcomes Its New Members	4
Committee Reports	4
Calendar	5
Chapter News and Announcements	6
Position Announcements	9

President's Message



George McGowan

george.mcgowan@cityoforlando.net

Happy Summer! I expect that many of you around the state are putting the final touches on your government's annual budget for FY 2004-05. I hope that the process was constructive and that you are getting back to your regular routines. Remember, your involvement in the budget process of your government demonstrates to our elected officials the importance of government finance professionals in the effective management of government resources. Although it may not be expressed often enough, I'm sure that your hard work is appreciated by the citizens of your city, county or special district.

Congratulations to our colleague Kim Adams, Management Services Director for the City of Largo! Kim was named the first recipient of the City Finance Officer of the Year Award by the Florida League of Cities' Florida Cities of Excellence Program. Congratulations to the other finalists for this prestigious award, Harry Kyne, Jr. of the City of Seminole and Mike McPhail of the City of Venice. These fine gentlemen represent all that is good about our profession. If you or a colleague has been recognized for your accomplishments, please take the time to let us know by submitting your information to our Member Services Committee for inclusion in the "It's About You" column in the FGFOA Newsletter.

Your Board of Directors recently met in Vero Beach to continue our annual process of "visioning" and conduct the business of the association. We had a successful two days discussing many ideas for taking our association forward in both this next year and several years into the future. A future "President's Message" will include a summary of these ideas so that you can offer your opinions to the board on these your needs and expectations. One important item to report is that, in addition to being a success with regard to the quality of the speakers and activities, our recent conference in Tampa was also a financial success. Thanks go to the Florida League of

Cities staff and the volunteers who served on last year's Conference Host Committee chaired by the recently recognized Kim Adams! These individuals' attention to detail and periodic reports of registration information to the Board was vital and will be continued at both the upcoming School and 2005 Annual Conference.

The career development seminar held on July 15 in Fort Lauderdale was another successful event. Eighty-five members attended at a time of the year (CPE reporting periods ended in June, many members' summer vacations are held in July) that is relatively slow for professional education. Those of you in the Panhandle should be aware that our next seminar is coming to your "neck of the woods" on September 10. Please be sure to attend the seminar to get an update on the latest in governmental standards including OPEP and grant accounting.

Please visit our Web site periodically for updates on our upcoming training events including the annual School of Governmental Finance which will be held beginning November 15 at the Marriott Sawgrass Resort and Beach Club in Ponte Vedra Beach. You should receive information in September regarding this event, but put it on your calendar now! The topics and speakers are sure to be impressive. Remember, this event is perfect for our members in budget offices who are sometimes too busy to get away in the spring! In addition, the newly rewritten CGFO exam will be administered at the School.

Finally, it is not too early to mark your calendars now for next year's Annual Conference at the beautiful Westin Diplomat Resort and Spa in Hollywood to be held on May 15 – 18, 2005. The Conference Host and Conference Program Committees are already hard at work on the educational and networking events of our "main event."

Member Spotlight



Jimmy Meyer

The Spotlight member this month is Jimmy Meyer, Assistant Council Auditor for the City of Jacksonville. He is a familiar face to most FGFOA members, having attended many Annual Conferences and Schools of Governmental Finance. Jimmy will be completing 32

years of service to the city when he retires this September.

Jimmy is a graduate of Jacksonville University and is a CPA. His career with the City of Jacksonville started in 1972 when he was hired as a staff auditor by the Council Auditor's Office. During his tenure he performed audits and evaluations of a wide range of "clients" including the city-owned electric and water-services utility, the airport, the seaport, and transportation authorities. He has been involved in audits as well as reviews of major revisions in their operating structures over the years. Recently he assisted the City Council in reviews of legislation and major contracts including the Jacksonville Jaguars, next year's Super Bowl, economic development agreements and the \$2.2 billion "Better Jacksonville" capital project fund.

Jimmy is a long-time member of the Florida Government Finance Officers Association and has served on and chaired numerous host committees for Schools of Governmental Finance and Annual Conferences held in the Jacksonville area. Jim has served on other FGFOA committees during his tenure including a chairmanship of the Scholarship Committee. He is one of the more accomplished golfers in the FGFOA and always looks forward to participating in the Annual Conference's tournament.

After retiring, Jimmy plans to travel with his wife, Pam, starting with a trip this fall to the South Pacific. The trip should provide ample opportunity for Jimmy to exercise his photography hobby. Upon his return, Jimmy plans to build a new house, where else, but on a golf course.

Spotlight Article Criteria

The FGFOA Board of Directors established preferred guidelines for the "Member Spotlight" articles. These criteria include:

- Must be submitted by an FGFOA member (other than the spotlighted person)
- Active member of the FGFOA for five years
- Active member of a local chapter of the FGFOA
- Served on an FGFOA committee or Board of Directors
- Made significant contributions to the financial arena (i.e., speaker at conferences, written articles, etc.)
- Final approval by FGFOA president

COMMITTEE CHAIRS

Career Development

Barry Skinner
(407) 836-5715
barry.skinner@occompt.com

Certification

Michael E. Tomich
(352) 620-3906
michael@marioncountyclerk.org

Conference Host

Carlos E. Garcia
(954) 921-3231
cgarci@hollywoodfl.org
Lisa C. Rabon
(954) 390-2141
lrabon@wiltonmanors.com

Conference Program

Kenneth M. Hetrick
(407) 841-2279
khetrick@golynx.com

Information Technology

Louis J. Boglioli, III
(772) 288-5324
jboglioli@ci.stuart.fl.us

Legislative

Darlene Pfeiffer
(954) 828-3775
darlenep@fortlauderdale.gov

Member Services

Kent R. Olson
(407) 246-2628
kent.olson@cityoforlando.net

School of Governmental Finance

Kevin Stork
(904) 630-2955
kstork@coj.net

Technical Resources

John Pryor
(954) 357-7140
jpryor@broward.org

State Representatives

Northern Region
Christine Francis
(850) 577-4020

Central Region
Lynda Flynn
(407) 343-3012

Southern Region
Linda C. Davidson
(561) 393-7737

It's About You

Kimball Adams, Chief Financial Officer for the City of Largo, was presented with the Cities of Excellence Finance Officer of the Year Award on June 26 by the Florida League of Cities. Kim has brought efficiency to the city's operational programs, is the staff liaison to the citizens' Finance Advisory Board, and is a regular instructor for the city's Citizen Academy. Congratulations Kim! The other two deserving nominees were **Harry Kyne**, City of Seminole's Chief Financial Officer, and **Michael T. McPhail**, the Finance Director for the City of Venice.

Jerry Reynolds recently retired after serving as Finance Director for the City of Lakeland for over 18 years. We wish Jerry well as he moves into a new phase of his life.

Greg Finch has advanced to Finance Director for the City of Lakeland. Prior to his appointment,

Greg served as Lakeland's Assistant Finance Director since 1985.

Mike Brossart has become Assistant Finance Director for the City of Lakeland. Mike was Lakeland's Chief Accountant for seven years before his promotion.

Michelle Greco is the new Finance Director for the City of Winter Springs. Michelle previously served in the same capacity for the City of Oviedo for five years.

Boe Cole is the new Assistant Finance Director for the City of Wilton Manors. Boe formerly served as City Treasurer for the City of Fort Lauderdale.

Eric Johnson, Director of Management and Budget for Hillsborough County, has stepped down

(continued on page 4)

(continued from page 3)

from the Executive Board of the Government Finance Officer's Association after three years of service.

Merv Timberlake, former FGFOA President, has been elected to the Government Finance Officer's Association Executive Board to serve a three-year term. Merv is the Director of Financial Services for the City of Boca Raton.

Carol Landau, City Clerk for the City of Lighthouse Point, has attained the International Institute of Municipal Clerk's highest recognition for clerk achievement: the Master Municipal Clerk (MMC) professional designation. The requirements for this designation are the diligent practice of one's chosen profession, a steady commitment to learning, and sharing one's knowledge and skills with one's colleagues and the wider community. Carol joins an elite group of only 320 MMCs in the world; 21 of these are in the State of Florida. She's been a Certified Municipal Clerk (CMC) since 1997. Congratulations to our South Florida Chapter President!

Congratulations to the **Alachua County Board of County Commissioners** and the **City of Palm Coast** as first-time recipients of GFOA's Distinguished Budget Presentation Award.

The "It's About You" section was developed to highlight FGFOA members and their special accomplishments. Please submit notices of job promotions, awards and retirements or other recognition to: agooch@flcities.com.

FGFOA Welcomes Its Newest Members

- Robert Anathan, City of Oakland Park
- Annie Fields, City of Jacksonville
- Lorraine Foster, City of Ocala
- Diana Goodspeed, City of Ocala
- Kristie Harris, Florida State University
- Daniel Hurtado, Daniel H. Hurtado CPA's, PA
- Julieann Klein, Lombardo, Spradley & Klein, CPA's
- Kathleen Mathews, Hillsborough County
- Richard Powers, Wittner National Group
- Patti Powers, Severn Trent Services, Inc.
- Bryan Thabit, Broward County

Committee Reports

Career Development

*Barry Skinner, Orange County
Comptroller's Office, Chair*

Our first seminar was held July 15, 2003, at the Courtyard by Marriott Fort Lauderdale North. The 92 attendees were pleased with the eight hours of A&A CPE provided by Tom Klinker, Mickey Miller and Dan O'Keefe.

Our next seminar will be September 10, 2004, at the Raddison Downtown Tallahassee. Dan O'Keefe will be repeating his session from Fort Lauderdale, Governmental Auditing Standards Update – What the Auditee Needs to Know. The other four hours of A&A CPE will be provided by Ed Clayton and Glen Elmer from the Florida

Department of Financial Services. Their session is titled Grant Accounting and Administration.

Our third seminar is scheduled for October 28, 2004, in Tampa. This seminar on Investments and Cash Management is intended to provide the eight hours of CPE for investment officers required annually by the Florida Statutes.

The fourth seminar is scheduled for December 9, 2004, in Orlando. Nationally recognized expert on fraud Courtney Thompson will be speaking on Fraud Awareness for Managers. If you have not heard Courtney speak on this topic, this is your chance. You won't be disappointed.

The Board asked us to consider having the seminars on Thursdays as opposed to Fridays. The committee decided to try three of the first four on Thursdays to see if Thursdays would be more convenient for our members. Once actual attendance numbers are known, we will evaluate the change and schedule the next four seminars. If you have a preference between Thursday and Friday, please send me an e-mail, at the address below, letting me know.

If you have any suggestions for the committee, please e-mail them to Barry Skinner (barry.skinner@occompt.com).

Certification

Michael Tomich, Marion County – CCC, Chair

The CGFO program is progressing this year as we work to update the CGFO exams. The first draft for all sections of the updated CGFO exam has been completed by Governmental Consulting Services Company, a firm headed by FGFOA Past President Rob Garner. The exams are currently being reviewed by our "Exam Experts" Damon Adams, Linda Davidson, Christine Francis, Mickey Miller and Jim Moye. They will provide feedback on the exam content so that our consultant may further refine the updated exams. We remain on schedule to introduce the new exams in November 2004.

We will begin work on revised study guides for the exams. The revised study guides will be in an outline format rather than in the current narrative format. Similar to review materials for other professional exams, the CGFO exam study guides will indicate subject areas to be covered by the exam, the weighting of subject areas within the exam and the sources of exam content. The reference materials upon which the exam is based consist of published documents which are regularly updated and are readily available to local government finance professionals. Sources of such materials include the State of Florida, GAO, GASB and GFOA.

Through the efforts of so many dedicated committee members and with the support of our FGFOA membership, Officers and Board of Directors; the CGFO program continues to thrive and improve. The CGFO designation is an important measure of individual excellence in our profession. Our committee encourages all eligible FGFOA members, not already certified, to pursue the CGFO designation.

Conference Program

Ken Hetrick, LYNX, Chair

The committee met on July 16 to develop the session topics for the conference. Thank you for all the great session comments and suggestions that were submitted to the committee. We have discussed them and all the subcommittees are reviewing them as we put together the program for the conference. The committee is working very hard to provide a wonderful conference in Hollywood for you. It is not too late if you have any comments that you did not include in the conference survey or if would like to make a topic recommendation to the committee. Please contact me at khetrick@golynx.com.

Information Technology

Louis Boglioli, City of Stewart, Chair

Coming to a local chapter meeting near you! Get ready for the word about all the great resources available on the FGFOA Web site and the future changes just around the corner. The IT Committee will be working hard to push the information out to all the local chapter meetings to help familiarize everyone in the association with www.fgfoa.org. The online policies, sample RFPs, and the Discussion Board forums are invaluable resources we just know you are not taking full advantage of now. So be on the lookout. And as always, if you have any questions, please contact the FGFOA Office or me directly at jboglioli@ci.stuart.fl.us.

Legislative

Darlene Pfeiffer, City of Fort Lauderdale, Chair

The Legislative Committee has begun the work to identify key issues of interest to the FGFOA membership and the organizations they represent. Those issues will be detailed in the 2005 FGFOA Legislative Policy statement and a draft has been presented to the Board. A final document will be completed prior to the September meeting. The committee is interested in hearing from you as to any legislative issues you feel the FGFOA should support or oppose. If you have any issues to suggest for inclusion in the policy statement, please contact Darlene Pfeiffer at DPfeiffer@fortlauderdale.gov.

Following is a brief summary of some of the legislative action from the 2004 session which ended April 30, 2004, as presented at the Annual Conference by John Wayne Smith, the Assistant Director of Legislative Affairs, Florida League of Cities:

Passed

- **SB2962 Article V** – revisions to state mandated method of court cost funding; provides hold-harmless district formula to remove cities from court cost mandates, increases some court fees, transfers responsibility for county fines and forfeitures to clerks, commences reduction of half-cent tax revenue to counties July 1, 2004.
- **HB237 Tax Reductions** – provides tax “holiday” July 24, 2004–August 1, 2004, for sales tax; reduces gas tax by eight cents per gallon in August 2004.
- **HB1743 Fiscal Impact Statements** – requires financial impact statements to be prepared by the estimating conference for petition initiative amendments to the state constitution.
- **SB708 Local Government Accountability** – cleans up some outdated language regarding “financial emergency,” adoption of municipal budgets, municipal budget amendments, actuarial reports, and others.

General Appropriations Act – passed the state budget; raids trust funds such as the State Housing Trust Fund, Land Acquisition Trust Fund and others funded by the doc stamp to balance; provides additional funding for water projects, beach restoration, FRDAP, and small county transit programs from one-time revenues such as the Federal Economic Stimulus funds, doc taxes, over budget revenues, and the trust funds.

Other bills passed which may be of interest: SB2230 – FRS Rates, SB2444 – DOR’s Property Tax Package, SB2564 – Department of Juvenile Justice Detention Cost Shifting.

Did Not Pass

- Codification of impact fees
- Charter county millage caps
- Communications Services Tax zip+4 and substitute communications amendments

(continued on page 6)

FGFOA Calendar at a Glance

September 2004

- 10 Career Development Seminar – Tallahassee**
“Grants Accounting and Administration/Government Auditing Standards Update – What the Auditee Needs to Know.” Speakers: Ed Clayton, Glen Elmer and Daniel O’Keefe.

October 2004

- 28 Career Development Seminar – Tampa**
“Investments and Cash Management”

November 2004

- 15-19 2004 FGFOA School of Governmental Finance – Ponte Vedra Beach**

December 2004

- 9 Career Development Seminar – Orlando**
“Fraud Awareness for Managers.”
 Speaker: Courtney Thompson.

January 2005

- 27 Career Development Seminar – West Palm Beach**

February 2005

- 24 Career Development Seminar – Sarasota**
“Banking”

March 2005

- 17 Career Development Seminar – Jacksonville**
“Financial Condition & Analysis”

April 2005

- 21 Career Development Seminar – Orlando**
“Debt Management”

May 2005

- 13-18 2005 FGFOA Annual Conference – Hollywood**

June 2005

- 26-29 2005 GFOA Annual Conference – San Antonio, Texas**

(continued from page 5)

- Constitutional amendment reform
- Additional property tax reform

The Legislative Committee has also been challenged to monitor the progress of issues identified in the 2005 Policy Statement throughout the course of the 2005 legislative session. Committee members will each research and follow bills and you may see “calls to action” in the future, asking each FGFOA member to take part in helping to influence the outcome of these bills.

Members can get involved at the chapter level by inviting committee members and others to present updates at chapter meetings and by inviting local House and Senate members for a panel discussion to share viewpoints on the issues and to ask their support on the position taken by FGFOA on specific bills. Your involvement individually and collectively can assist in moving legislation to a favorable outcome and the Legislative Committee encourages and welcomes your participation and suggestions.

Member Services

Kent Olson, City of Orlando, Chair

The committee’s three subcommittees, Publications, Recruitment & Retention, and Research & Analysis, are actively working to fulfill their respective missions. The Research & Analysis Subcommittee held a conference call meeting on July 1. Each member of the subcommittee was assigned a project at the end of the meeting.

The Recruitment & Retention Subcommittee held a conference call meeting on July 16 to discuss its workplan for the year and the implementation thereof. The subcommittee has a goal of adding 50 new members to our organization this year. If you have staff in your entity that are not yet members but could benefit from the privileges offered by FGFOA, please visit the FGFOA’s Web site at www.fgfoa.org. If you have staff that have not yet renewed their membership, please have them also visit the website to renew for the current year.

The Publications Subcommittee has assigned its members responsibility for ensuring that various articles are written and/or provided to the FGFOA offices in a timely manner. The fruits of their labor should be evident in future issues of the newsletter.

Please keep in mind that we need your help to supply us with information for the “It’s About You” column in the FGFOA newsletter. This column recognizes FGFOA members for accomplishments, awards, promotions and the acceptance of new positions. Please send your information to Anne Gooch at the FGFOA (agooch@flcities.com), Tom King at Polk County (tomking@polk-county.net) or Andrea Wilson at the City of Orlando (andrea.wilson@cityoforlando.net).

School of Governmental Finance

Kevin Stork, City of Jacksonville, Chair

Greetings from the School of Governmental Finance! This is the first update for this year’s school that will be held at the Ponte Vedra Sawgrass Marriott Resort & Beach Club during the week of November 15-19.

The 27-member educational committee has been at work since late March selecting topics and arranging for excellent speakers for this year’s school. We have organized into five educational subcommittees covering accounting and financial reporting (eight topics), budgeting (eight topics), treasury management (six topics), debt management (six topics), and financial management and leadership (12 topics). Looks like an exciting week starting with basic nuts-and-bolts/how-to-type courses on Monday and Tuesday, followed by intermediate and advanced technical courses Wednesday through noon Friday.

Another 20 volunteers from the First Coast Chapter are on five non-educational subcommittees, working on the peripheral functions to make the school a great place for networking, such as the nightly hospitality suite and for those of you who like to club that little white ball up and down one of those green areas, arranging for a golf tournament at one of the areas signature golf courses.

Pencil in your calendar right now as the school promises to be an intellectual stimulating (CPE galore), great networking, and fun event.

Technical Resources

John Pryor, Broward County, Chair

The committee continued to assign responsibilities for technical articles needed for the association newsletter during the coming year. All editions are now covered, including an article in 2005 that will be contributed by Jim Williams, a GASB member and frequent past speaker at FGFOA Annual Conferences.

The committee will evaluate a June 23, 2004, GASB Exposure Draft on concepts related to communication methods. A Concepts Statement is primarily an internal document that provides the GASB a basic conceptual foundation for considering alternative approaches to financial reporting and helps the GASB develop standards. The committee intends to present its recommended comments on the exposure draft to the FGFOA Board of Directors at its August meeting, and, if approved, these comments will be submitted to GASB as a response on behalf of the association.

Technical Questions

Members with technical questions have the following three contact points:

- Discussion Board at the FGFOA Web site, www.fgfoa.org
- Anne Gooch at (850) 222-9684 or e-mail agooch@flcities.com
- TRC Chairman, John Pryor at (954) 357-7140 or e-mail jpryor@broward.org

Chapter News and Announcements

Central Florida Chapter

The Central Florida Chapter meets the second Thursday of every month, with a few exceptions. The meetings begin at 11:30 a.m. with a half-hour for networking followed by a luncheon at 12:00 p.m. Our luncheon speaker begins a presentation around 12:30 p.m. that provides for one CPE to be earned for those attending. The cost of the luncheon is \$15 for members and \$25 for non-members. Membership in the chapter only costs \$10 for active members and \$20 for associate members.

On Thursday, August 12, the luncheon program topic was “Health Care Trends and Cost Containment Strategies,” presented by Kurt Gehring, President of The Gehring Group. Kurt’s presentation was both enlightening and entertaining. The next meeting of the Central Florida Chapter will be on September 9, 2004, at the Radisson Downtown Orlando. The topic that day will be, “Legislative Update,” with John Wayne Smith of the Florida League of Cities and Bob McKee of the Florida Association of Counties speaking to the chap-

ter. On October 14, Dan Owens will provide us with an update on the activities of Auditor General's Office. Reservations may be made to attend by contacting Ruby Muniz of Orange County no later than noon on the Monday before the event at ruby.muniz@ocfl.net.

Florida First Coast Chapter

The First Coast Chapter held its second quarterly meeting on Friday, June 11, 2004, at the Jacksonville Beach City Hall in the Council Chamber. Our speaker was Andrew Cantor, of Sawgrass Asset Management whose topic was "Investment Strategies in a Rising Rate Environment." Thirty members and guest where in attendance for this excellent presentation on a very timely topic.

It is with sadness that I must inform you that a member of our Board and the Finance Director of Fernandina Beach, Jeff Rosencrans, passed away in May of 2004. His family has designated that anyone interested in making a contribution in memory of Jeff send it to: Pirate Dugout Club, Fernandina Beach High School, 4354 Citrona Drive, Fernandina Beach, FL 32034.

A member our of Board, Karen Myers, has changed jobs from the City of Green Cove Springs to the St. Johns River Water Management District in Palatka.

Our next meeting of this friendly chapter and networking opportunity will be held on Friday, September 10, 2004, at the Clay County Administration Building in Green Cove Springs in Meeting Room 1 from noon to 2:00 p.m. Make sure you RSVP to Ruth Remsen at remsre@jea.com to reserve a box lunch (\$10.00 members and \$15.00 non-members) and plan to earn one hour of technical business CPE when Alan Ennis of Bank of America will be our guest speaker. Mr. Ennis' topic will be "Check Electronification/Check 21." Also, Gib Mitchell, President-Elect of the FGFOA, will be attending our September chapter meeting. Our meetings are open to members and non-members. Our meeting notices are done by e-mail only, so contact Mitchell Velasco at mvelasco@coj.net to be put on the meeting notification e-mail list if you are not a member.

Remember to go to the FGFOA Web site and check out the Local Chapter page to find out the latest comings and goings of the chapter and the FGFOA.

Reminder: The membership cycle is from April 1 - March 31 annually; this is in addition to the state-level dues of \$20.00. Our local chapter dues are \$20.00. Dues notices were e-mailed in early April. Please renew. It is important we have your e-mail address to be able communicate with you about chapter events and happenings. If you have not renewed your membership or would like to join as a new member please e-mail Mitchell Velasco at mvelasco@coj.net.

We are a friendly chapter that meets quarterly, stressing networking with peers and education, and welcomes anyone interested to attend our meetings.

Gulf Coast Chapter

The second meeting of this fiscal year included a presentation on the proposed GASB Statement addressing Other Post-Employment Benefits by Larry Smart, ASA, MAAA, of Aon Consulting. Membership continued to grow during these last two months with new members recognized to promote networking opportunities. The primary topics discussed at the board meeting were the full-day September education program and modification of the chapter's bylaws.

Our three primary goals this year are to modify our bylaws/procedures, provide more CPE hours and increase our membership. Although there's been no change in the bylaws/procedures, each of our meetings has included one hour of CPE. We created an Educational Program Committee, which has been instrumental in gather-

ing quality speakers at prime locations. Additionally, our membership has increased 22 percent over last year due to increased CPE, varying our meeting locations and aggressively seeking members.

Our next meeting will be at Tucson's Restaurant (13563 ICOT Boulevard, Clearwater) on Friday, September 24, 2004, providing eight A&A hours of CPE. Mr. Paul Glick, Glick Consulting Group, will be providing an in-depth discussion on "Improving Note Disclosures in Local Governments." Seating is limited. If you desire to attend, you can get a copy of the Meeting Notice on the FGFOA Web site under "Local Chapter - Gulf Coast Chapter." For those attending, you will find the speaker is captivating, location superb, and food enticing.

Heartland Chapter

The Heartland FGFOA chapter met July 29, 2004, at the Wauchula Garden Club. The speaker for the meeting was David Pollard from Port St. Lucie. I would like to thank Rick Helms for handling our speaker arrangements.

Enhancing the budget preparation process for staff and the approval process for the approving legislative body is a task at this time of year. I find myself envying those jurisdictions large enough to have a separate budget department to just deal with the budget. I'm sure the task in preparing and managing the budget in those larger jurisdictions is just as heavy a workload as those of us in the smaller jurisdictions who wear all the administrative hats our jobs require.

I do appreciate both the FGFOA and the GFOA workshops and seminars, which provide valuable aids in the budget preparation process. The knowledge and experience shared at these forums has ranged from budget preparation with Excel spreadsheets to use of sophisticated software. If governmental finance had been a focus during my formal education I probably would have found more courses on the subject. The workshops and seminars I have attended have been a value complement to practical everyday on the job training.

The software conversion we have been going through here at the City of Wauchula in the minds of those of us who have endured it. I was reading a survey the other day which gave percentages of opposition to choosing to convert software. The survey said 74 percent did not want to deal with the integration of the data from the old system to the new system. I understand in accounting that upgrades are a necessary evil to stay abreast of providing the service customers come to expect, however, it can really be rough on the staff. When we get our new software completely online it will enhance our ability to compile and produce the government-wide statements required for GASB 34 reporting. There are always "carrots" that encourage us to persevere.

Palm Beach Chapter

The Palm Beach County Chapter began the new year with a special visit from Gib Mitchell during our May meeting. We are very thankful to Gib for adjusting his schedule to provide encouragement and guidance to the chapters around the state to share his enthusiasm for a great upcoming 2004-05 year. Gib generously gives of his time and is always willing to go the extra mile or few hundred to stay in contact with the membership and each chapter.

If you have not already met the new officers and board of directors, they are listed below:

- President - Mary O. Anderson-Pickle, CGFO
- President Elect - Thomas G. Harris, CPA
- Treasurer - Carol A. Himes, CPA, CPPT
- Secretary - Jeff Price

Board of Directors:

- Matthew Pazanski, Anne Sims, Cheryl Somers

The upcoming calendar of events is being developed to offer great luncheon speakers, current seminar topics and a winter holiday social, please forward any suggestions to chapter officers for consideration. We are always looking to improve the networking and educational opportunities for our current and future members! Speaking of members, our active membership stands at more than 100 strong and before we distribute the directory, we would like to invite any other perspective members to join. Please contact Michelle Quigley at mquigley@ci.wellington.fl.us for membership information.

The tentative schedule of events is as follows, dates are being finalized over the next few weeks.

- September: Full-day seminar – Investment
- December: Evening Holiday Social
- January: Half-day seminar – Economic Impacts
- March: Annual Business Meeting Luncheon

The officers and board of directors met June 30 to discuss the upcoming year, available dates of meetings and seminars to avoid conflicts with state events. They are beginning to firm up topics and speakers. The next board meeting is scheduled for August 19, 2004, 8:00 a.m., Airport Hilton. Please forward any comments or suggestions to an officer or board member for inclusion in discussions. Have a safe and enjoyable summer!

South Florida Chapter

Our next meeting will be held on Thursday, August 26, 2004, at Tropical Acres Restaurant, 2500 Griffin Road, Dania Beach. We encourage all chapter members to attend.

Our speakers will be Robert Wilkins, Scott Kreiger and Paul Vincent from Wachovia Bank. The topic will be Web-Based Banking – The Latest Wave of Innovation. From daily account activity to fraud control to electronic receipts and disbursements, learn how new innovations can make your job easier. This topic was submitted to FGFOA for approval and qualifies for one hour of continuing education credit.

The program is as follows:

- 6:00 p.m. - 6:30 p.m. – Networking
- 6:30 p.m. - 7:30 p.m. – Speaker
- 7:00 p.m. – Dinner will be served

We hope you will attend our meetings to show your support for our organization, and to increase your knowledge. Our meetings are open to everyone. You do not have to be a chapter member to attend our meetings. To make a reservation for a meeting, contact Russell Muniz at russell_muniz@davie-fl.gov, or (954) 797-1023. We appreciate the continuing support of current members and welcome new ones.

Our October 21, 2004, meeting will be held at Bavarian Village Restaurant, 1401 N. Federal Highway in Hollywood at the same time as stated above for the August 26 meeting. We are in the process of scheduling a professional speaker to present the topic of “Helpful Tips for Public Speaking and Making Successful Presentations.” It will qualify for one hour of continuing education credit.

The speaker for our June meeting was James J. Rizzo, ASA, MAAA, Senior Consultant and Actuary with Gabriel, Roeder, Smith & Company. The topic was “Can you spell OPEB? An Introduction to GASB’s New Standards on Other Post-Employment Benefits.” This is a new area that will require measurement, expensing cost, and disclosure of these benefits for every employer, so we’ll need to start preparing for it. Mr. Rizzo’s presentation explained the new requirements and he gave helpful suggestions on how to plan for this new GASB standard.

We are providing our meeting notices via e-mail to members who supplied us with their e-mail addresses. If you are a member and did not receive a notice of the meeting, or if you are interested in becoming a chapter member, or want to be placed on our mailing list, please contact Chapter Secretary Russell Muniz at russell_muniz@davie-fl.gov, or (954) 797-1023. Our chapter membership application is available on the FGFOA Web site.

A survey was sent via e-mail to all chapter members asking for their input regarding topics and dates for upcoming seminars. The completed surveys were received and reviewed. Thank you for your response and input. Chapter Vice President Georgina Rodriguez will work with an educational committee to plan either one or two full-day seminars on the selected topics. We realize that it may not be possible for the entire office staff to attend a full-day session, which is why we are considering having two seminars on two different days. This would provide an educational opportunity for various staff members. If you are interested in helping Georgina select speakers, and/or plan the seminar, please contact her at grodriguez@townofpembrokepark.com, or (954) 966-4600, ext. 1232.

If you have ideas or suggestions on how we can improve our chapter, or if you want to become a more active member, please contact Chapter President Carol Landau at clandau@lighthousepoint.com, or (954) 943-6500.

In addition, we want to remind chapter members that for finance officers or related positions, and city clerks or related positions, scholarships are available for attendance at the respective annual spring conferences, annual state conferences and annual fall institutes. Attendance at three chapter meetings during the fiscal year of April through March and membership in our chapter for one year is required to be eligible for the scholarships. The December holiday meeting does not count toward the requirement. For more information, contact Barbara McDaniel, Deputy Town Clerk, Town of Davie, at barbara_mcdaniel@davie-fl.gov, or (954) 797-1023.

Be sure to mark your calendar for our annual holiday event which will be held on December 10, 2004. Please let us know if you have any businesses that are interested in sponsoring this wonderful annual event.

Southwest Florida Chapter

The Southwest Florida Chapter provides quarterly luncheon meetings on various topics. Our last meeting was held on June 18, 2004, at the Olde Hickory Golf and Country Club in Fort Myers. Michael E. Burton, President of Burton & Associates, and Steven McDonald, Chief Economist with Burton & Associates, presented a comprehensive financial master planning model and resource optimization process for local government entities – cities, counties, special districts (CDDs, CRAs, etc.). As part of the presentation, they demonstrated the visioning tools in an interactive simulation of a case study of a typical Florida city. They concluded their presentation with an overview of the performance of the national and state economies for 2004 and expectations for growth in 2005.

Our next meeting is scheduled for September 17, 2004, at the Best Western in Punta Gorda.

If you would like information on chapter membership, please contact Chris Lyons at Christopher_Lyons@sarasotagov.com or (941) 954-4185.

Space Coast Chapter

Our quarterly CPE training was held June 25 at the Brevard County Governmental Complex in Viera. We were honored to have Phillip Carlton with the Florida Department of Financial Services to speak about Florida’s unclaimed property law. This was very informative and appreciated by the members. Randy Bridgeman with

the firm of Bray, Beck & Koetter did a fine job discussing SAS 99, as did Johnny Bowles, Technology Services Director for the City of Palm Bay, who spoke about using Web-enabled security and technology. We started this training session with lunch and our business meeting. Once again, we had an excellent turnout. We will return to the Melbourne Airport for our next training session to be held on September 24. The City of Melbourne is making the arrangements this time and is planning to have a speaker from the Auditor General's Office. Anyone from other government agencies in or near Brevard County is encouraged to participate in our activities. Our charge for the CPE training is \$25 for our chapter members and \$40 for others. To get on our mailing list or for more details about our training sessions, contact Heidi Soto at (321) 953-8935 or sotoh@palmabayflorida.org.

Position Announcements

Accounting Clerk I – Village of Tequesta.

\$24,842 - \$39,747 annually. Closing date: Position open until filled. Strong accounts payable required. Detail-oriented, self-starter to process large volume of accounts payable. Duties include purchase orders, budget transfers, fixed assets, petty cash and payroll. Governmental experience preferred. Submit resume/application to: Village of Tequesta, Human Resources, 250 Tequesta Drive, Suite 300, Tequesta, FL 33469 or fax to (561) 575-6203.

Administrative Services Director – Yulee.

\$53,998 - \$64,186 annually. Requires bachelor's degree in accounting, finance, economics or related field; current CPA certification; and five years of progressive experience in responsible financial management and administration, a portion of which shall be acquired in a government or similar public organization or a combination of education, training and experience that provides the required knowledge, skills and abilities. Plans, organizes and directs fiscal operations for the Board of County Commissioners. Ensures compliance with all applicable policies, procedures, laws and regulations. Applications can be obtained in the HR Department at 96161 Nassau Place, Yulee, FL 32097. Phone (904) 321-5908 or fax (904) 321-5926. EEO/M/F/D/VP.

Assistant Director, Strategic Planning, Budgeting and Performance – City of Miami.

(This is a full-time executive position, exempt under FLSA.) Salary range: \$70,947 - \$109,940 annually. Closing date: When a sufficient number of qualified applicants have applied. Please apply immediately! The City of Miami Department of Strategic Planning, Budgeting and Performance has a challenging career opportunity for a seasoned professional with technical expertise and effective leadership skills. The incumbent of this position will assist with the administrative, managerial and operational responsibilities involving the city's budgetary and strategic planning processes. Plans and directs the activity of the department's Budget Division. Assists in the direction and preparation of the city's fiscal budget. Represents the department at various meetings and budget hearings in the absence of the director. Assists in the establishment of departmental policies and procedures. Directs and reviews operating budgets periodically to analyze trends affecting budget needs and to facilitate long-range planning. Prepares and administers divisional budget. Administers daily operational and supervisory functions. Reports to the chief of strategic planning, budgeting and performance. Per-

forms related duties as required. Requirements: bachelor's degree in public administration, business administration or a related field, and a minimum of five years administrative experience in fiscal, budgetary, and organizational management, preferably in the public sector. A minimum of one year must have involved supervision of staff responsible for budgetary or financial processes. A master's degree in an aforementioned field is preferred. Submit City of Miami application form with copy of credentials to: Department of Employee Relations Employment Office, 444 S.W. 2nd Avenue, Room 129, Miami, FL 33130, Attention: Assistant Director of Strategic Planning, Budgeting and Performance Recruitment. Note #1: Applications may be downloaded from the City of Miami Web site, www.ci.miami.fl.us. Note #2: Please submit transcript reflecting degree unless degree reflects academic major on its face. The City of Miami is an Equal Opportunity Employer and does not discriminate.

Assistant Internal Auditor – City of Ocala.

Salary range: \$31,797 - \$49,042 per year. Must have a bachelor of science in accounting (B.S.Ac.) degree from an accredited college or university, two years of governmental auditing experience and a valid Florida driver's license. Complete job description and application can be obtained from the city's Web site at www.ocalafl.org/hr/cityjobs.htm. Send application and resume to Human Resources Division, P.O. Box 1270, Ocala, FL 34478-1270. Hiring decisions contingent upon results of alcohol/drug screening and physical examination. EOE/M/F/D/V.

Budget Director – City of Ormond Beach.

The City of Ormond Beach, a coastal community in Central Florida with a population 39,000, is seeking qualified applicants for the position of budget director to administer an overall budget of \$65.7 million including a general fund budget of \$24.8 million. This highly responsible professional position coordinates and monitors the budgetary and purchasing activities for the city on a year-round basis and oversees the city's purchasing activities through the supervision of a subordinate employee. The incumbent is responsible for planning and scheduling budget preparation, meeting with department directors regarding budget requests and assisting with the city manager's budget presentation(s) to the City Commission. Qualified candidates should have knowledge of municipal governmental accounting, generally accepted accounting principles, and reporting requirements. A familiarity with the principles and practices of governmental purchasing administration is a plus. Minimum qualifications: bachelor's degree in accounting, finance or a closely related field supplemented by five years progressively responsible experience in budget management and analysis. A comparable amount of training or experience may be substituted for the minimum qualifications. Salary range: \$49,491 - \$84,266. Resumes should be directed to: Budget Director Recruitment, City of Ormond Beach, Human Resources Department, P.O. Box 277, Ormond Beach, FL 32175-0277. This position will remain open until filled. Web site: www.ormondbeach.org. Minorities and women are encouraged to apply. EOE. M/F/Handicapped/ Veterans Preference.

Chief Accountant – City of Miami.

(This is a full-time, unclassified position exempt under FLSA.) Salary range: \$61,154 - \$94,886 yearly. Closing date: When a sufficient number of qualified persons have applied. Please apply immediately! This is a high-level administrative and supervisory position performing advanced professional, financial and accounting work in the Finance Department. Requirements: bachelor's degree in accounting, finance, business, or public administration. Appli-

cants qualifying with majors other than accounting must demonstrate possession of at least 24 college credits in accounting. Additionally, all applicants must possess a minimum of five years of general accounting, auditing, or financial management experience, four years of which must have involved supervising staff with accounting or financial duties. Familiarity with computerized accounting systems, particularly Oracle, and a CPA license (in accordance with Florida State Statute 473.308) is preferred. Submit city employment application, copy of educational credentials (degree, transcripts reflecting degree conferred, CPA license) to: Chief Accountant Position, City of Miami Employment Office, 444 S.W. 2nd Avenue, Room #129, Miami, FL 33130. To download an employment application form, and to obtain additional information regarding this or other current City of Miami vacancies, you may access our Web site at www.ci.miami.fl.us or visit the City of Miami Employment office. The City of Miami is an Equal Opportunity Employer and does not discriminate.

Deputy City Clerk – City of Lauderdale Lakes.

Salary: \$33,113-\$46,358 (DOQ). Bachelor’s degree in business/public administration/related area; Certified Municipal Clerk designation preferred; at least two years experience in the provision of administrative and records management functions in municipal/county setting. Excellent benefits. Application, resume, cover letter, copies of certifications to HR Department, City of Lauderdale Lakes, 4300 N.W. 36th Street, Lauderdale Lakes, FL 33319; fax (954) 535-2913; job hotline (954) 535-2703.

Finance Director – City of Fernandina Beach.

Salary: \$50,939 - \$73,862 DOQ. Highly responsible professional and technical work directing and coordinating finance, utility billing, budget and risk management functions. Work is performed under the direct supervision of the city manager. Requirements: bachelor’s degree in accounting business/public administration, financial management or related field. Five years experience in municipal government finance officer position, three years in a supervisory capacity. CPA and/or CGFO preferred. Apply: Forward resumes to City of Fernandina Beach, Human Resources Department, Attn: Finance Director, 204 Ash Street, Fernandina Beach, FL 32034. Phone: (904) 277-7320; fax: (904) 277-7316; e-mail: npitman@fbfl.org.

Internal Auditor – Collier County – CCC.

The Collier County Clerk of the Circuit Court is looking for an Internal Auditor II. This position examines and reports on county government operations. Minimum qualifications include a bachelor’s degree with concentration in accounting or related field, and at least one year of professional audit experience in local or state government. Starting salary: \$38,343. Please send your resume to: Collier County Clerk’s Office, Human Resources Director, 3301 E. Tamiami Trail, Naples, FL 34112. Phone: (239) 732-2761; fax: (239) 775-2755.

Investment Coordinator – Fort Lauderdale.

Salary range: \$46,754 - \$69,332 per year DOQ. This is professional work in the financial management of county funds. Employees in this class are responsible for daily investment and cash management of \$50 million ensuring statutory, legal, safety, liquidity and yield objectives are attained. Position incumbent prepares daily cash forecasts, audits bank balances, and ensures the security of all transferred funds on a daily basis. The position incumbent works under general supervision and works autonomously in many circumstances. Work also includes preparing cash, revenue, and in-

vestment reports for management use. Performs related work as required. Requires graduation from an accredited four-year college or university with major course work in finance or business administration and four years experience working in the cash management field, which must have included experience in investments or any equivalent combination of training and experience. A solid background of financial and treasury management theory and knowledge with specific experience in investment of funds in a sophisticated market is highly desirable. Experience with the Bloomberg system is preferred. Qualified applicants should submit a resume, to Broward County HRD Staffing Center, 115 S. Andrews Avenue, Annex B, Recruitment No. 1570, Fort Lauderdale, FL 33301; phone (954) 357-6444; fax (954) 357-5537. For additional information visit www.broward.org/careers.

Senior Information Systems Auditor – City of Miami.

(This is a full-time, unclassified position, exempt under FLSA.) Salary range: \$55,477 - \$86,150 yearly (negotiable within range depending upon training and experience). Closing date: When a sufficient number of qualified persons have applied. Please apply immediately! The Office of the Auditor General is seeking an advanced-level auditor possessing expertise in auditing complex electronic data. Examples of duties include, but are not limited to conducting or participating in audits, performing management studies; providing managerial assistance; supervising the work of other auditors; assisting in planning, organizing, and performing audits of the city’s Enterprise Resources Planning (ERP) System and the integrated modules; conducting and/or participating in investigations of matters of concern in areas with significant computer activity; and conducting financial/operational audits. The successful candidate will possess thorough knowledge of information technology systems, operations, auditing principles and procedures, keep abreast of trends and developments in the field, possess the ability to analyze ERP systems and design efficient and effective computer applications for use. Will perform related functions as required. Requirements: Certified Public Accountant (CPA) or Certified Information Systems Auditor (CISA) plus master’s degree from an accredited college or university with major course work in computer science, accounting, or a closely related field, and two years experience auditing information technology systems. A minimum of one year of experience supervising accounting or auditing staff is required. Experience utilizing audit control language applications is desirable. Or equivalent combination of training and experience beyond a bachelor’s degree in the aforesaid fields. All applicants must submit either a State of Florida Certified Public Accountant (CPA) or professional certification as a Certified Information Systems Auditor. No training, certification nor experience shall substitute for these credentials. Submit city employment application and copy of degree and license to: Senior Information Systems Auditor Position, City of Miami Employment Office, 444 S.W. 2nd Avenue, Room #129, Miami, FL 33130. To download an employment application form, and to obtain additional information regarding this or other current City of Miami vacancies, you may access our Web site at: www.ci.miami.fl.us or visit the City of Miami Employment Office. The City of Miami is an Equal Opportunity Employer and does not discriminate.

Senior Management and Budget Analyst – Polk County.

Responsible for monitoring, analyzing and preparing recommendations regarding department and division operational and capital improvement budget request. Performs forecasting analysis, capital improvement projection cost studies, and other related matters pertaining to budget projections in order to assist the Budget & Man-

agement Services Office and other administrative personnel. BS/BA with major course work in public administration, business administration, finance, accounting or a related field and have five years related governmental budget preparation, analysis and rev-

enue forecasting experience. Must have a valid driver's license. Contact Sharon Mathis, Polk County Board of County Commissioners, P.O. Box 9005, Drawer CA03, Bartow, FL 33830; (863) 534-6027; e-mail sharonmathis@polk-county.net. EOE M/F/H.

(continued from page 1)

Who will see the \$400 billion estimated cost?

Many published news stories indicate that the HMO/insurance industry and the pharmaceutical manufacturers are the big winners from the Medicare prescription drug benefit. Many of these news stories are based on quotes from detractors of the bills. In reality, neither of these industries may come out as huge winners from this legislation.

In fact, public-sector and private-sector employers who currently provide prescription drug benefits to their Medicare recipients appear to have the clear-cut benefit. These employers will either receive a direct tax-free subsidy from the federal government for 28 percent of the gross cost of prescription drugs between \$250 and \$5,000 starting in 2006, or they could eliminate their prescription drug benefit and migrate their Medicare recipients into a Medicare prescription drug (Part D) plan. Original published estimates from several sources including the government's own estimates of the cost of this subsidy range from \$71 to \$86 billion out of the \$400 billion, or about 20 percent of the total cost of the bill. The impact on HMOs/insurers or any other entity that wants to be a PDP is less obvious. Clearly they will receive some of the \$400 billion for providing administrative services for the prescription drug benefit. A rough estimate of the value of the administrative services is about \$50 billion. Unlike the subsidies to the employers, however, this money will not go straight to the bottom line of PDPs. While some of this money could result in bottom-line profits, we would expect that a large percent of this revenue would cover real additional expenses.

Who will see the rest of the money?

Pharmaceutical manufacturers will likely see some, although the increase in prescriptions filled (utilization) may be minimal. Studies have indicated that approximately 75 percent of Medicare beneficiaries currently have **some** level of coverage, either from employers, Medicare+Choice HMOs, Medigap plans, existing prescription drug plans, Medicaid, or programs offered by the manufacturers. The level of coverage for these individuals is not clear and varies significantly depending on the coverage, but those with employer coverage, Medicaid, or some of the richer Medigap plans are likely to already utilize prescription drugs at the same level (or potentially an even higher level) than they would under the Medicare prescription drug plan, so they would be unlikely to increase their utilization. (In fact, if some of these people lose their current prescription drug coverage and move into the standard prescription drug plan, their utilization may actually **decrease**.)

In addition, analysis of Reden & Anders' internal prescription drug databases indicates that only about 10 percent of Medicare beneficiaries would have costs in excess of \$5,100 and only 33 percent would have costs in excess of \$2,250 in 2006. These are the two breakpoints in the formula for Medicare prescription benefits. Assuming a 10 percent increase in utilization from the introduction of the new coverage would mean additional revenue to the pharmaceutical manufacturers of about \$50 billion in total from 2006 to 2013. Considering the industry had over \$150 billion in revenues from the United States in 2004, a \$50 billion increase in total from

2006 to 2013 would increase revenue by only 2 percent - 4 percent over that time period.

The remaining cost of the \$400 billion, or about \$200 billion (the largest part), would likely go to reimburse directly Medicare beneficiaries who currently pay for their drugs themselves by reducing the out-of-pocket costs for those beneficiaries.

How will the Medicare prescription drug plan affect the commercial market?

As mentioned previously, statistics show that about 75 percent of Medicare beneficiaries currently have some level of prescription drug coverage. For a majority of Medicare beneficiaries, however, the discounts available through that coverage are less than the discounts currently available for commercial insureds. For example, for brand prescriptions most employers receive a discount of between 12 percent and 15 percent, before factoring in rebates, based on a survey performed by Reden & Anders. Most Medicare recipients not covered under an employer plan or a Medicare+Choice plan likely receive a discount of less than 10 percent on brand prescriptions, and those without any coverage most likely receive a discount of 5 percent or less, based on Reden & Anders' knowledge of those markets. If all Medicare recipients moved to a discount of 12 percent from their current estimated discounts, the reduction in revenue to the pharmacies could be as much as \$2 billion. The net income of Walgreen's, CVS, and Rite Aid combined for the trailing 12 months (as of December 10, 2003) was \$1.8 billion based on filed financial statements. However, most Medicare members without insurance do not have the opportunity to receive prescription drugs from other sources, such as mail order. If these members were offered this option and chose to get mail-order prescriptions, this would impact the revenue generated from other items sold by the retail prescription drug stores. The retail pharmacies will need to take this combination of factors into consideration when negotiating their contracts with the Part D carriers for Medicare insureds, which may impact their commercial contracts or result in entirely separate contracts for Medicare beneficiaries even though that would add additional administrative complexity.

The same issue obviously applies to the pharmaceutical manufacturers. They currently provide rebates to the PBMs or employers based on market share and volume. These rebates are only paid, however, to entities that have a contract with the manufacturer. For Medicare beneficiaries that have limited or no insurance for their prescription drug coverage, the manufacturers do not pay a rebate. Once these beneficiaries start to enroll in an insured plan, however, the PBMs or insurers are likely to include these new prescriptions in the total volume they report to the manufacturers and request a rebate for these prescriptions.

The United States market for prescription drugs consisted of approximately 3.2 billion prescriptions in 2003 according to the NACDS Web site (accessed on July 23, 2004). Assuming that one third of that total is for Medicare, about 1.1 billion prescriptions are filled for Medicare recipients. If 40 percent of those prescriptions are filled by people that do not have any plan that would receive rebates, and 40 percent of those individuals' prescriptions would be

(continued on page 12)

(continued from page 11)

eligible for an average rebate of \$2, or about 18 million prescriptions would receive rebates currently not paid. The additional rebates the manufacturers would have to pay would be \$360 million in current dollars, (which may be applicable under the prescription drug card) and likely even more in 2006. As with the pharmacies, the manufacturers may face the same issue regarding the level of rebates they pay for Medicare beneficiaries compared to their current payments for commercial members, especially if the inclusion of Medicare members under insured coverage does not increase utilization.

If the pharmacies and manufacturers refuse to extend their existing levels of discounts and rebates to new Medicare beneficiaries, the result will be either a two-tier level of discounts and rebates (one for commercial and one for Medicare) or new levels for discounts and rebates. Since most PBMs typically have a global contract with each pharmacy chain that covers all prescriptions filled by that chain for all members covered by the PBM, developing a split reimbursement schedule may be difficult, or at a minimum, undesirable. Alternatively, developing new contracts with lower discounts and rebates that would maintain the current profit levels for the pharmacies and total payout for the manufacturers would result in lower discounts and rebates than what the commercial market currently receives. The result could be a spike in prescription drug costs for all entities currently providing prescription drug coverage that receive the higher discount over and above the trends we already see for pharmacy.

What will PDPs offer for benefits, and will any offer supplemental benefits?

The legislation defines a standard prescription drug benefit starting in 2006 as the following:

- From \$0 to \$250 in total costs (not including administration), the member pays 100 percent.
- From \$250.01 to \$2,250 in total costs (not including administration), the plan pays 75 percent of the cost and the member pays 25 percent.
- From \$2,250.01 to \$5,100 in total costs (not including administration), the member pays 100 percent.
- Above \$5,100 in total costs (not including administration), the member pays the greater of 5 percent or \$2 for generic or multi-source prescriptions and \$5 for all other prescriptions and the plan pays the balance.

The PDP must submit a bid for covering the cost of the standard prescription drug coverage (or an actuarially equivalent plan) that includes the cost of administration. The legislation then requires that an “adjusted national average monthly bid amount” be calculated using all of the accepted bids. The premium charged to the individual member is then calculated as approximately 25.5 percent of this “adjusted national average monthly bid amount” plus or minus the difference between the PDP bid and the “adjusted national average monthly bid amount” (i.e. if the PDP bid is \$10 above the “adjusted national average monthly bid amount,” the entire additional \$10 would be charged to the member).

Since the “adjusted national average monthly bid amount” is not known when the bids are submitted, especially in 2006, there is clearly some risk in submitting a bid. One likely result from this mandatory adjustment in member premium in order to reflect the difference between the bid and the “adjusted national average

monthly bid amount” is that in the first couple of years of the prescription drug plan, bids will likely be made conservatively, unless a PDP was looking to enroll a vast majority of the beneficiaries.

In addition to the basic prescription drug benefit, PDPs can offer supplemental coverage. However, the supplemental coverage differs significantly from the basic coverage in several aspects:

- The entire cost of the supplemental coverage must be paid for by the Medicare beneficiary.
- The supplemental coverage can take the form of a reduction in the deductible or coinsurance or an increase in the initial coverage threshold. There is no mention of a change in the annual out-of-pocket threshold and whether this can be reduced.
- The individual reinsurance provision which reimburses the PDP for 80 percent of their costs once a member hits the out-of-pocket maximum would be worth **less** since it would require more total claims for an individual to hit the out-of-pocket maximum.
- The aggregate reinsurance provisions that apply when costs are in excess of 102.5 percent of expected costs do not apply to the portion of coverage that is for supplemental benefits.
- The cost for supplemental coverage can reflect an assumption for additional utilization due to selection.

These elements of the supplemental coverage may discourage plans from offering supplemental prescription drug coverage, even with the ability to adjust the bid to reflect additional utilization. Since members will have to pay the full cost of the additional benefit, and since prescription drug costs are among the most predictable of all medical costs, the individuals that will pay for the additional benefit are extremely likely to use it, and highly likely to use more services than the excess premium would cover. The lack of any additional reinsurance protection for this adverse selection means that if plans do offer supplemental coverage, they will likely price it very conservatively since they are at risk for all of the supplemental costs with minimal reinsurance from the federal government.

Conclusions

Clearly, this new Medicare prescription drug benefit will have an impact throughout the pharmaceutical industry, many HMOs and insurers, employers sponsoring retiree prescription benefits and Medicare beneficiaries themselves. Who the ultimate winners and losers will be remains to be seen, but identifying some likely repercussions and planning for them now can provide you with a competitive advantage under the new paradigm. 2006 will be here soon. So those who manage retiree prescription programs should start the review and planning sooner.