


INDIAN RIVER COUNTY  
MEMORANDUM

TO: Jason Brown  
County Administrator

FROM: Suzanne Boyll   
Human Resources Director

DATE: August 31, 2022

SUBJECT: Approval of Optum Agreement for County's Stop Loss Policy

**BACKGROUND:**

The County is partially self-insured in its Group Health Insurance Program and we carry a policy that reimburses the County for claims that exceed a specific limit. This type of policy is called a stop loss policy, excess loss policy, or reinsurance policy. The County's current stop loss policy is with Florida Blue Highmark (HM) and has a specific deductible of \$300,000 for individual claims and an aggregate stop loss deductible of \$100,000. The current annual premium for this policy is \$1,277,892. The monthly specific & aggregate premium is based on a per employee per month (PEPM) rate of \$64.54 per 1,650 lives. The actual premium amount fluctuates based on monthly enrollment in the health plan.

Each year, Lockton markets our stop loss policy to obtain the most competitive rates. We have received the 2022/23 firm quotes from Highmark, Optum, and Voya. Quotes were also received from Berkley, TM HCC but they were determined to be uncompetitive.

Carrier	Current HM	Renewal HM	Neg. Renewal HM	Option 1 Optum	Option 2 Voya	Option 3 Berkley	Option 4 TM HCC
Quote Status	Current	Initial Renewal	Neg. Renewal	Quoted - Firm	Quoted - Firm	Uncompetitive	Uncompetitive
Coverage Included	Med, RX	Med, RX	Med, RX	Med, RX	Med, RX	Med, RX	Med, RX
Contract Basis	96/12	108/12	108/12	24/12	24/12	24/12	24/12
Enrollment*	1650	1650	1650	1650	1650	1650	1650
Specific Deductible	\$300,000	\$300,000	\$300,000	\$300,000	\$300,000	\$300,000	\$300,000
Aggregating Specific Deductible	\$100,000	\$100,000	\$100,000	\$100,000	\$100,000	\$100,000	\$100,000
Aggregate Corridor	125%	125%	125%	125%	125%	125%	125%
Annual Interface Fee	\$0	\$0	\$0	\$19,800	\$19,800	\$19,800	\$19,800
<b>FINANCIAL ASSESSMENT</b>							
<b>Total Fixed Cost**</b>	<b>\$1,277,892</b>	<b>\$1,557,072</b>	<b>\$1,445,004</b>	<b>\$1,318,086</b>	<b>\$1,328,580</b>	<b>\$1,338,480</b>	<b>\$1,411,107</b>
Total Laser Liability	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Est. Total Aggregate Deductible	<b>\$29,585,754</b>	<b>\$29,587,338</b>	<b>\$29,581,596</b>	<b>\$28,254,402</b>	<b>\$29,585,754</b>	<b>\$28,764,648</b>	<b>\$29,470,522</b>
Fixed Cost Change %		22%	13%	3%	4%	5%	10%
Fixed Cost Change \$		\$279,180	\$167,112	\$40,194	\$50,688	\$60,588	\$133,215
Max Liability	\$30,963,646	\$31,244,410	\$31,126,600	\$29,672,488	\$31,014,334	\$30,203,128	\$30,981,629
Max Liability Change \$		\$280,764	\$162,954	-\$1,291,158	\$50,688	-\$760,518	\$17,983
Max Liability Change %		1%	1%	-4%	0%	-2%	0%
<b>2ND YEAR RENEWAL PROTECTION (NO NEW LASERS / RATE CAP)</b>							
Renewal Protection Included		Yes	Yes	Yes	Yes	Yes	Yes
Rate Cap Maximum %		50%	50%	50%	50%	55%	50%

\*Enrollment is from the census received in April 2022

\*\*Includes both specific and aggregate premiums

Lockton may receive certain incentive compensation including, without limitation, contingency payments, overrides, and bonuses, as a result of being Client's insurance broker (collectively, "Additional Compensation"). Client hereby consents and agrees to Lockton's ability to receive such Additional Compensation under all circumstances.

**ANALYSIS:**

Our current stop loss provider, Highmark, provided an initial renewal quote of a 22% increase in fixed costs or an additional \$279,180. Lockton negotiated a firm quote with a reduced increase in fixed costs of 13% or \$167,112. Highmark also provided an option to increase our aggregating specific deductible from \$100,000 to \$200,000 which would reduce the overall increase fixed costs to a 5% increase or \$68,112.

While we have had a long standing relationship with Florida Blue and Highmark, the firm quote proposal received from Optum, retained our current individual and specific aggregating deductibles of \$300,000 and \$100,000 and has the lowest increase in fixed costs of 3% or \$40,194. It also includes an overall maximum liability that is \$1,291,158 lower than the maximum overall liability with Highmark due to a lower composite aggregate factor. The Optum proposal is a fixed cost saving of almost \$127K over the comparable Highmark proposal. The total premium is \$65.57 per employee per month per 1,650 lives for an estimated annual premium of \$1,318,086 to include a \$19,800 interface fee. This represents a 3% increase in costs.

Carrier	Current HM	Renewal HM	Option 1 HM	Option 2 Optum
INDIVIDUAL SPECIFIC STOP LOSS COVERAGE				
<b>Individual Specific Deductible</b>	<b>\$300,000</b>	<b>\$300,000</b>	<b>\$300,000</b>	<b>\$300,000</b>
Aggregating Specific Deductible	\$100,000	\$100,000	\$200,000	\$100,000
Contract	96/12	108/12	108/12	24/12
Coverage	Med, RX	Med, RX	Med, RX	Med, RX
# of Lives	1,650	1,650	1,650	1,650
FIXED COST				
<b>Composite Specific Rate</b>	<b>\$62.51</b>	<b>\$70.65</b>	<b>\$65.65</b>	<b>\$62.51</b>
Total Interface Fee	\$0	\$0	\$0	\$19,800
<b>Total Specific Cost** + Interface Fee</b>	<b>\$1,237,698</b>	<b>\$1,398,870</b>	<b>\$1,299,870</b>	<b>\$1,257,498</b>
Commission	0%	0%	0%	0%
Stop Loss Administrative Fee (No Rate Impact)	5%	5%	5%	5%
AGGREGATE STOP LOSS COVERAGE				
Maximum Reimbursement	\$1,000,000	\$1,000,000	\$1,000,000	\$1,000,000
Margin	125%	125%	125%	125%
Contract	96/12	108/12	108/12	24/12
Coverage	Med, RX	Med, RX	Med, RX	Med, RX
<b>Composite Aggregate Rate</b>	<b>\$2.03</b>	<b>\$2.33</b>	<b>\$2.33</b>	<b>\$3.06</b>
<b>Total Aggregate Premium</b>	<b>\$40,194</b>	<b>\$46,134</b>	<b>\$46,134</b>	<b>\$60,588</b>
<b>Composite Aggregate Factor</b>	<b>\$1,494.23</b>	<b>\$1,494.02</b>	<b>\$1,494.02</b>	<b>\$1,426.99</b>
<b>Est. Total Aggregate Deductible</b>	<b>\$29,585,754</b>	<b>\$29,581,596</b>	<b>\$29,581,596</b>	<b>\$28,254,402</b>
LASER LIABILITY				
<b>Total Laser Liability</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>
TOTAL COMBINED COVERAGE				
<b>Total Fixed Cost</b>	<b>\$1,277,892</b>	<b>\$1,445,004</b>	<b>\$1,346,004</b>	<b>\$1,318,086</b>
<b>Max Overall Liability</b>	<b>\$30,963,646</b>	<b>\$31,126,600</b>	<b>\$31,127,600</b>	<b>\$29,672,488</b>
CHANGE FROM PRIOR YEAR				
<b>\$ Fixed Cost Change</b>		<b>\$167,112</b>	<b>\$68,112</b>	<b>\$40,194</b>
<b>% Fixed Cost Change</b>		<b>13%</b>	<b>5%</b>	<b>3%</b>
<b>\$ Max Overall Liability Change</b>		<b>\$162,954</b>	<b>\$163,954</b>	<b>-\$1,291,158</b>
<b>% Max Overall Liability Change</b>		<b>1%</b>	<b>1%</b>	<b>-4%</b>
NO NEW LASER RATE CAP COVERAGE				
2023 Rate Cap	50%	50%	50%	50%
Max 2 Year Fixed Cost		\$3,612,510	\$3,365,010	\$3,285,315
Simulated Average Number of Claims		4.5	4.5	4.5
Simulated Average Reimbursements		\$932,549	\$840,626	\$932,549
Value to Change Current Deductible/Carrier (negative is savings)		\$0	-\$7,077	-\$126,918

As a result of this analysis, Lockton is recommending the County consider a change to Optum for a fixed cost savings of almost \$127K and lower composite aggregate factor which reduces our overall maximum liability by \$1.3M. Staff is in agreement with this recommendation.

This recommended change would involve creating an interface between Florida Blue and Optum at a cost of \$19.8K annually which is included in the savings analysis. The change would also involve additional administrative tasks related to confirming high cost claimants. The administrative impact is minimal.

**SAVINGS FROM LOCKTON COMPLEX CLAIMS SPECIALTY PRACTICE CLINICAL REVIEW**

As part of the stop loss analysis, Lockton’s Complex Claims Specialty Practice performed a clinical review of a high-dollar inpatient stay from a member who was participating in COBRA. The review uncovered that the member’s COBRA had expired 12/31/2021 and the member had transitioned to an individual policy with Florida Blue. Lockton identified that all claims occurring after 12/31/2021 were not attributable to the County’s plan and as a result \$224,845 was returned to the plan.

**FUNDING**

Funding for the annual stop loss insurance premiums for Fiscal Year 2022/2023 of \$1,318,086 is budgeted and available in the Employee Health/Health Insurance/Stop Loss Fees account, number 50412719-034589.

<b>Account Name</b>	<b>Account Number</b>	<b>Amount</b>
Employee Health/Health Insurance/Stop Loss Fees	50412719-034589	\$1,318,086

**RECOMMENDATION:**

Staff recommends and respectfully requests that the Board approve the recommendation to select Optum as our stop loss carrier for the 2022/2023 plan year and authorize the Chairman to execute the application after review and approval by the County Attorney as to form and legal sufficiency.

**ATTACHMENTS:**

Optum Stop Loss Policy Application