


INDIAN RIVER COUNTY  
MEMORANDUM

---

TO: Jason Brown  
County Administrator

FROM: Suzanne Boyll   
Human Resources Director

DATE: August 12, 2020

SUBJECT: Approval of Agreement with Florida Blue for the 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) 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 \$824,419. The premium is based on a monthly composite & aggregate rate of \$40.70 per 1,688 lives. The premium amount will fluctuate based on actual monthly enrollment in the health plan.

Lockton has provided information regarding the current stop loss market. The trend reflects that high-cost claims continue to escalate in both frequency and severity, with 1.5% of members driving over 42% of total costs. The market reflects that claimants over \$3M+ have increased in prevalence by 140% since 2015. Stop loss carrier loss ratios are running at 81% compared to a 70%-75% target and they are more selective in cases they quote.

Currently, the County's health plan has five (5) ongoing high cost claims. Two claims have already reach stop loss thresholds with total claims through June 30, 2020 at \$1,395,766. The projected future costs through the remainder of the plan year range from \$925K to \$1.8M with the possibility of two (2) additional claimants reaching stop loss reimbursement thresholds. Lockton Companies marketed the County's stop loss coverage and received two (2) firm quotes, with eight (8) carriers declining to quote due to being uncompetitive and/or historical losses. The firm quotes are from Florida Blue (Highmark) and Symetra. The various options include maintaining the aggregate deductible at \$100,000 and retaining the individual specific deductible at \$300,000 or increasing it to \$325,000 or \$350,000. Florida Blue has provided three (3) quotes and Symetra has provided one (1) quote.

**ANALYSIS:**

Our broker/consultant Lockton Companies evaluated and reviewed the Florida Blue and Symetra quotes. The quote from Symetra is not competitive and includes a laser liability of \$200,000. The most competitive quote was from our current stop loss carrier Florida Blue. Florida Blue presented a renewal option and two coverage options. The renewal retains the current

individual specific and aggregating deductibles of \$300,000 and \$100,000. The first option for Florida Blue increases the individual specific deductible to \$325,000 and the second option increase the individual specific deductible to \$350,000. Lockton used a Monte Carlo analysis to evaluate cost and risk to determine the recommended coverage levels.

After analysis of the proposals and the projected claims experience, Lockton has provided the following recommendation:

*Our recommendation is to renew stop loss coverage with Florida Blue (HM) as they have provided Indian River County with the best stop loss rates, contract terms, and they also provide better cash flow with immediate stop loss reimbursements. Lockton recommends renewing at the current \$300,000 Individual Specific Deductible or, if your risk tolerance allows, selecting the \$325,000 Individual Specific Deductible. Moving to the \$325,000 deductible provides IRC with \$118,000 in annual fixed cost savings and also increases the liability for Indian River County by \$25,000 for each member on the plan. If four or less individuals exceed the \$325,000 deductible from 10/1/2020-9/30/2021, this would lead to savings and if five or more exceed the \$325,000 deductible IRC would have saved money remaining at the \$300k deductible.*

The results of the analysis indicate the two options Lockton recommends are either:

Renewal Option	\$300,000/\$100,000 specific/aggregate deductible \$55.69 total composite specific and aggregate rate Annual premium of \$1,128,057
	OR
Option 1 -	\$325,000/\$100,000 specific/aggregate deductible \$50.01 total composite specific and aggregate rate Annual premium of \$1,013,003

Staff is recommending the Renewal Option of \$55.69 total composite specific and aggregate rate, which preserves the current individual specific deductible of \$300,000. Under this renewal, there is no laser and there is no commission paid.

**FUNDING**

Funding for the annual stop loss insurance premiums of \$1,128,057 is included in the Employee Health Insurance/Stop Loss Fees Account 50412719-034589.

**RECOMMENDATION:**

Staff recommends and respectfully requests that the Board approve the Renewal Option with Florida Blue for the County's stop loss policy for plan year 2020/2021 and authorize the Chairman to execute the renewal agreement.

**ATTACHMENTS:**

Indian River County Self-Funded Reinsurance Renewal 2020/21  
Lockton Companies Marketing Analysis and Monte Carlo Modeler