


INDIAN RIVER COUNTY  
MEMORANDUM

---

TO: Jason Brown  
County Administrator

FROM: Suzanne Boyll   
Human Resources Director

DATE: August 29, 2018

SUBJECT: Approval of Agreement with Florida Blue for the County's Excess Loss/Reinsurance Policy

---

**BACKGROUND:**

The County is partially self-insured in its Group Medical 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 excess loss/reinsurance policy is with Florida Blue 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 \$635,146. This is based on a monthly composite & aggregate rate of \$31.77 per 1,666 lives.

Lockton has provided information regarding the current stop loss market. The trend reflects that high cost medical and Rx claims continue to be more frequent and severe with an increase of 87% from 2014 to 2017. Additionally, employers have a 63% likelihood of having a stop loss claim that includes high cost specialty injectable prescription drugs.

Currently, the medical plan has five (5) ongoing high cost claims that are estimated to have an impact on the plan of \$350K - \$975K for the remainder of the current stop loss policy. Lockton Companies marketed the stop loss and received 2 firm quotes, with 10 carriers declining to quote due to being uncompetitive and/or historical losses. The firm quotes are from Florida Blue (Highmark) and Anthem. The various renewal options included maintaining the aggregate deductible at \$100,000 and retaining the individual deductible at \$300,000 or increasing the individual deductible to either \$350,000, \$400,000 or \$425,000.

**ANALYSIS:**

Our broker/consultant Lockton Companies evaluated and reviewed the Florida Blue (Highmark) and Anthem quotes. The most competitive quote was from our current stop loss carrier Florida Blue. Florida Blue presented four coverage options. Three options included increasing the specific deductible from \$300,000 to either \$350,000, \$400,000 or \$425,000. Lockton used a Monte Carlo analysis to evaluate cost and risk. The results of the analysis indicate that although an increase in deductible would result in a premium savings; however, the premium savings

would not outweigh the increase in the deductibles that the County would likely be required to pay based on projected claims experience.

After analysis of the proposals and the projected claims experience, Lockton is recommending we renew with the current specific deductible of \$300,000 and aggregate specific deductible of \$100,000. The premium for this policy is estimated at \$813,674 annually, which is an increase of \$178,528 or 28.1% above our current premium.

Although this is a substantial increase from our current premium, it is below average stop loss benchmarking under Lockton's book of business. Under the Florida Blue renewal, the monthly specific premiums rate is \$38.88 and the average rate for Lockton's book of business is \$42.04 for a stop loss policy with a specific deductible of \$300,000. The total monthly composite and aggregate rate under the renewal is \$40.70 per member per month.

Under this renewal, there is no laser and there is no commission paid.

**FUNDING**

Funding for the annual stop loss insurance premiums of \$813,674 are included in the health insurance fund.

**RECOMMENDATION:**

Staff recommends and respectfully requests that the Board approve Renewal Option 1 with Florida Blue for the County's excess loss/reinsurance policy for plan year 2019/2020 and authorize the Chairman to execute the renewal agreement.

**ATTACHMENTS:**

Indian River County Self-Funded Reinsurance Renewal 2019/20  
Lockton Companies Marketing Analysis and Monte Carlo Modeler