

# Indian River County

## Stop Loss Marketing Analysis

Effective Date October 1, 2020





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# Executive Summary – Quick Recommendation

## Current and Historical Situation

### HISTORY

Cumulative Loss Ratio = 105%

### ONGOING CLAIMS

5 Ongoing Claims Projected for 2020:  
\$925K - \$1.8M

### CONTRACT VARIABLES

Currently Has a 50% Rate Cap and No New Laser Renewal Protection

## Market Situation

### MARKET RESPONSES

- 2 Quoted & 8 Declined
  - 2 Declined to provide a Firm quote
- Decline Reasons:
  - Uncompetitive compared to current rates
  - Historical and Ongoing Large Claims
  - Florida Blue projects the top claimant at \$2 million for this year. After two stem cell transplants there has been no improvement.

### BEST FIXED-PRICE OPTIONS

- Florida Blue: +36.8% (+\$303K)

## Recommended Action

- Renew with Florida Blue (HM) as the stop loss carrier
- Consider moving to a higher deductible level for fixed cost savings
- The Monte Carlo and benchmarking show a potential savings of \$12k in savings at the \$325k deductible option. If the client is comfortable with a bit more risk, this would be a good option.

# Current market conditions

## The Impact of High-Cost Medical & Rx Claims

High-cost claims continue to escalate in both frequency and severity, with 1.5% of members driving over 42% of total costs. As a result:



### Markets continue to harden

- Top carriers averaged 22% increases across their block, up from 16% in 2017
- Per NAIC data, carrier loss ratios are running at 81% compared to a 70%-75% target
- Claimants over \$3M+ have increased in prevalence by 140% since 2015



### Carrier reactions

- Carriers' focus is now on profitability instead of revenue growth and they are more selective in cases they quote
- Top carriers replacing leadership with actuarial and underwriting talent as opposed to distribution
- Carriers are tightening up on contract terms, including raising rate caps and/or removing rate caps
- Carriers are taking a deeper look at eligibility related to a reimbursement to ensure all documented leave policies were followed



### What can you do about it?

- Select an option with a rate cap and no new laser guarantee, even if the fixed costs are higher
- Consider deductible level changes to align with your overall risk tolerance strategy
- Ensure that all leave and eligibility policies are documented and followed

# Historical Plan Performance

Historical Plan Performance	2017	2018	2019
<b>Stop Loss Carrier</b>	Florida Blue (HM)	Florida Blue (HM)	Florida Blue (HM)
<b>Specific Deductible</b>	\$300,000	\$300,000	\$300,000
<b>Aggregating Specific</b>	\$148,750	\$100,000	\$100,000
<b>Specific Contract Basis</b>	Paid	Paid	Paid
<b># of Lives</b>	1,641	1,661	1,688
<b>PEPM Specific Rate</b>	\$23.87	\$30.14	\$38.88
<b>PEPM Aggregate Rate</b>	\$1.47	\$1.63	\$1.82
<b>PEPM Aggregate Factor</b>	\$1,082.41	\$1,165.75	\$1,334.80
<b>Aggregate Corridor</b>	125%	125%	125%
<b>Aggregate Contract Basis</b>	Paid	Paid	Paid
<b>Commissions</b>	0%	0%	0%
<b>Laser Detail</b>			
<b>Number of Lasers</b>	0	0	0
<b>Total Laser Liability</b>	\$0	\$0	\$0
<b>Premium Vs. Claims</b>			
<b>Total Paid Premium</b>	\$498,995	\$633,240	\$617,216
<b>Total Paid Specific Claims</b>	\$471,549	\$670,688	\$695,766
<b>Annual Loss Ratio (reserves not included)</b>	94%	106%	113%
<b>Cumulative Loss Ratio</b>	<b>105%</b>		
<b>Target Loss Ratio</b>	75%		
<b>Claimants over the Deductible (may differ by year)</b>			
<b>Claimant 1</b>	\$787,975	\$556,436	\$1,049,408
<b>Claimant 2</b>	\$432,324	\$501,513	\$346,358
<b>Claimant 3</b>	\$0	\$492,091	\$0
<b>Claimant 4</b>	\$0	\$420,003	\$0
<b>Claimant 5</b>	\$0	\$300,646	\$0
<b>Additional Information:</b>		Current Yr. LR & Claims thru: 6/30/2020	

# Clinical Assessment

Indian River County Board  
 Renewal Date: 10.1  
 Administrator: FL Blue  
 SL Carrier: FL Blue/HM

	Claimant Details	Relationship	Diagnosis Category	Paid Dates Reviewed	Group Spec	Current Paid in Reviewed Period	Projected Low Cost	Projected High Cost
1	Neuroblastoma undergoing chemotherapy and immunotherapy. Received a stem cell transplant in Sept/2019 and again in October/2019. Frequent lengthy hospital admissions related to complications from chemotherapy.	CH	Neoplasms	10/1/19-6/30/20	\$300,000	\$1,060,578	\$250,000	\$550,000
2	Hemorrhage stroke with an emergency air flight. Termed 07/2019.	EE	Nervous System	10/1/19-6/30/20	\$300,000	\$346,358	\$0	\$0
3	Rx only. Cystic Fibrosis, Type I Diabetes. Approx. 40k month in RX. Implemented specialty pharmacy program for additional savings as a result of inquiry.	CH	Respiratory	10/1/19-6/30/20	\$300,000	\$262,800	\$325,000	\$500,000
4	Skin Cancer with metastasis to lymph nodes and lower limb. Undergoing chemotherapy. Multiple IP hospital admissions related to cancer complications.	EE	Neoplasms	10/1/19-6/30/20	\$300,000	\$259,738	\$200,000	\$400,000
5	Cancer on the gums and mandible. Also treated for foot ulcer.	EE	Neoplasms	10/1/19-6/30/20	\$300,000	\$213,238	\$150,000	\$350,000

**Notes:**  
**Projected costs are for the 10/1/2020 - 9/30/2021 policy year.**  
 Ongoing projections are made based on information obtained from available reports and paid dates listed. Case and claimant information may be limited or fail to reflect current status which could impact the projected amount listed. Reviewed all claimants.  
 Updated  
 7/27/2020

# Marketing and Risk Evaluation

Financial Assessment	Current	Renewal	Option 1
<b>Carrier</b>	<b>Florida Blue (HM)</b>	<b>Florida Blue (HM)</b>	<b>Symetra</b>
<b>Quote Status</b>	Current	Quoted - Firm	Quoted - Firm
<b>Coverage Included</b>	Med, RX	Med, RX	Med, RX
<b>Contract Basis</b>	Paid	Paid	24/12
<b>Enrollment</b>	1,688	1,688	1,688
<b>Specific Deductible</b>	\$300,000	\$300,000	\$300,000
<b>Aggregating Specific Deductible</b>	\$100,000	\$100,000	\$100,000
<b>Total Fixed Cost</b>	\$824,419	\$1,128,057	\$1,616,429
<b>Total Laser Liability</b>	\$0	\$0	\$200,000
<b>Total Attachment Point</b>	\$27,037,709	\$30,267,123	\$28,391,012
<b>Maximum Overall Liability</b>	\$27,962,128	\$31,495,180	\$30,307,441
<b>Change from Current</b>			
<b>Max Fixed Cost Change %</b>		37%	96%
<b>Fixed Cost Annual Change \$</b>		\$303,637	\$792,010
<b>Max Liability Change %</b>		13%	8%
<b>Max Liability Annual Change \$</b>		\$3,533,052	\$2,345,313
<b>2nd Year Renewal Protection (No New Lasers/Rate Cap)</b>			
<b>Renewal Protection Included</b>		Yes	Yes
<b>Rate Cap Maximum %</b>		50%	50%
<b>Max 2 Year Specific Fixed Cost - if Rate Cap Applies</b>		\$2,820,142	\$4,041,072
<b>3rd Party Contractual &amp; Risk Assessment</b>			
<b>AM Best Financial Rating</b>			A
<b>Stop Loss Carrier Block Size</b>			\$636M
<b>Coverage Equivalency Rate Calculation</b>			
<b>PEPM Rate (Actual ISL &amp; ASL)</b>	<b>\$40.70</b>	<b>\$55.69</b>	<b>\$79.80</b>
<b>Additional Notes</b>			
<b>Markets Declining:</b>	<b>Anthem, ISU, PACE, QBE, Swiss Re, TM HCC, TMS Re, TRU</b>		
<b>Market DTQ Reasons:</b>	<b>Ongoing claims activity</b>		

# Marketing Detail – Florida Blue Renewal Options

Option	Current	Renewal	Option 1	Option 2
Carrier	Florida Blue (HM)	Florida Blue (HM)	Florida Blue (HM)	Florida Blue (HM)
Proposal Status		FIRM	FIRM	FIRM
<b>Individual Specific Stop Loss Coverage</b>				
Individual Specific Deductible	\$300,000	\$300,000	\$325,000	\$350,000
Aggregating Specific Deductible	\$100,000	\$100,000	\$100,000	\$100,000
Contract	Paid	Paid	Paid	Paid
Coverage	Med, RX	Med, RX	Med, RX	Med, RX
Enrollment	1,688	1,688	1,688	1,688
<b>Fixed Cost</b>				
Composite Specific Rate	\$38.88	\$53.66	\$47.95	\$44.53
Annual Specific Cost	\$787,553	\$1,086,937	\$971,275	\$902,000
Terminal Liability Option (TLO) / Months	No	No	No	No
Commission	0%	0%	0%	0%
Administrative Fee (No Rate Impact)	5%	5%	5%	5%
<b>Aggregate Stop Loss Coverage</b>				
Maximum Reimbursement	\$1,000,000	\$1,000,000	\$1,000,000	\$1,000,000
Margin	125%	125%	125%	125%
Contract	Paid	Paid	Paid	Paid
Coverage	Med, RX	Med, RX	Med, RX	Med, RX
Composite Aggregate Rate	\$1.82	\$2.03	\$2.06	\$2.08
Annual Aggregate Premium	\$36,866	\$41,120	\$41,727	\$42,132
Composite Aggregate Factor	\$1,334.80	\$1,494.23	\$1,498.71	\$1,503.20
Annual Attachment Point	\$27,037,709	\$30,267,123	\$30,357,870	\$30,448,819
<b>Laser Liability</b>				
Total Laser Liability	\$0	\$0	\$0	\$0
<b>Annualized Combined Coverage</b>				
Fixed Cost	\$824,419	\$1,128,057	\$1,013,003	\$944,132
Maximum Overall Liability	\$27,962,128	\$31,495,180	\$31,470,872	\$31,492,951
<b>Change From Prior Year</b>				
\$ Fixed Cost Change		\$303,637	\$188,583	\$119,713
% Fixed Cost Change		37%	23%	15%
\$ Maximum Overall Liability Change		\$3,533,052	\$3,508,744	\$3,530,823
% Maximum Overall Liability Change		13%	13%	13%
<b>No New Laser Rate Cap Coverage</b>				
2021 Rate Cap %	50%	50%	50%	50%
Maximum 2 Year Fixed Cost		\$2,820,142	\$2,532,506	\$2,360,330
Value to Change Deductible = (Renewal Simulated Reimbursements - Alternate Option Simulated Reimbursements) - (Renewal Fixed Cost - Alternate Option Fixed Cost)				
Simulated Average Number of Claims		4.5	3.9	3.3
Simulated Average Reimbursements		\$926,984	\$824,501	\$737,988
Value to Change Current Deductible/Carrier (negative is savings)		N/A	(\$12,571)	\$5,072



## Next Steps Checklist to Secure Coverage

- All proposals are firm and final. Please provide renewal election and signed proposal, if applicable, no later than the following date: 8/21/2020
- Provide signed proposal by: 8/21/2020
- Leave of absence policy needed
- Please supply updated SPDs/PDs/Plan Amendments and wrap documents once available
- Confirm if there are any vendor changes (RX, Admin, Network, UR). Please note this could have a material impact to the rates and/or factors
- Confirm if there are any known acquisitions/divestitures. Stop loss carrier approval is required in order to extend coverage



# Appendix

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# Stop Loss Renewal Analysis

## Appendix



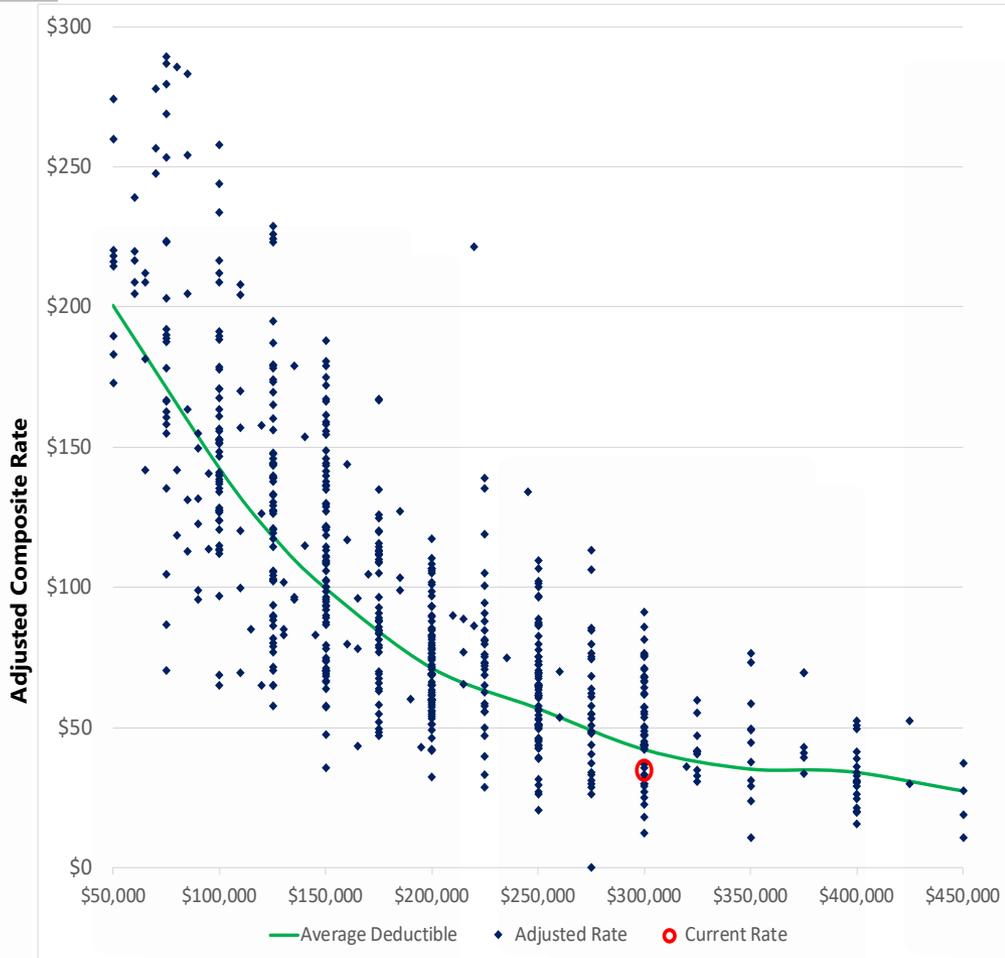
○ Benchmarking

○ Monte Carlo

○ Additional Information

# Benchmarking

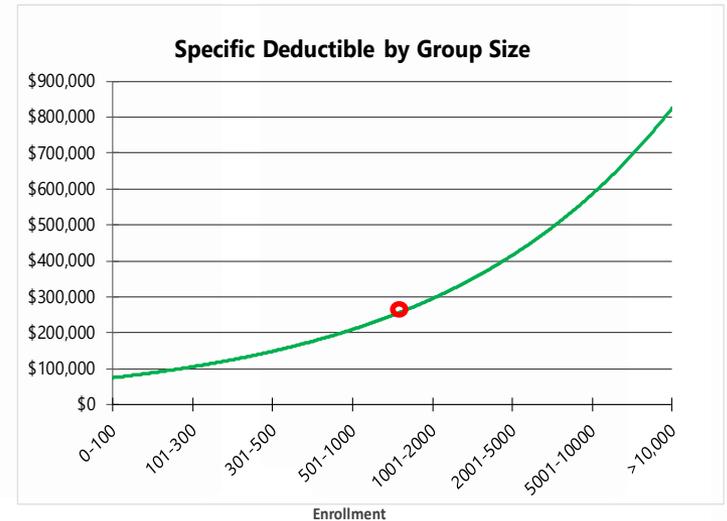
2019 Average Monthly Specific Premium Rate at Popular Deductible Levels



Benchmarking based on Lockton Complex Claim Specialty Practice Book of Business

2019 Average Monthly Specific Premium Rate at Popular Deductible Levels	
Individual Deductible	Adjusted Composite Rate
\$50,000	\$216.67
\$100,000	\$152.07
\$125,000	\$131.39
\$150,000	\$111.90
\$200,000	\$73.74
\$250,000	\$63.32
\$300,000	\$50.90
\$350,000	\$44.09
\$400,000	\$32.57
\$500,000	\$23.32
\$750,000	\$12.03
\$1,000,000	\$10.97

\*Composite Rate Adjusted to a "Paid" contract basis for comparative purposes.



# Monte Carlo

**Time period of projection:** 10/1/2020  
**Number of Employees:** 1688  
**Number of members (estimated):** 3696

<b>Number of Claims Exceeding Specific Deductible</b>			
<b>Carrier Options</b>	<b>Renewal Florida Blue (HM)</b>	<b>Option 1 Florida Blue (HM)</b>	<b>Option 2 Florida Blue (HM)</b>
Deductible Level	\$300,000	\$325,000	\$350,000
Average	4.5	3.9	3.3
Minimum Based on Simulations	0.0	0.0	0.0
25th Percentile	3.0	2.0	2.0
75th Percentile	6.0	5.0	4.0
Maximum Based on Simulations	14.0	13.0	12.0

<b>Total Dollar Amount of Claims Exceeding Specific Deductible</b>			
<b>Carrier Options</b>	<b>Florida Blue (HM)</b>	<b>Florida Blue (HM)</b>	<b>Florida Blue (HM)</b>
Deductible Level	\$300,000	\$325,000	\$350,000
Average	\$926,984	\$824,501	\$737,988
Minimum Based on Simulations	\$0	\$0	\$0
25th Percentile	\$315,000	\$235,000	\$163,500
75th Percentile	\$1,291,625	\$1,159,000	\$1,045,125
Maximum Based on Simulations	\$7,686,500	\$7,561,500	\$7,436,500

<b>What is the plan's expected cost under the various options?</b>			
<b>Carrier Options</b>	<b>Florida Blue (HM)</b>	<b>Florida Blue (HM)</b>	<b>Florida Blue (HM)</b>
Deductible Level	\$300,000	\$325,000	\$350,000
Total Expected Claims (Paid by Plan after specific and aggregate)	\$22,947,023	\$23,049,506	\$23,136,019
Specific Premium	\$1,085,005	\$969,549	\$900,397
Aggregate Premium	\$41,047	\$41,653	\$42,058
Total Expected Cost (Expected Claims + Stop Loss Premium)	\$24,073,075	\$24,060,708	\$24,078,474
% of simulations this option "wins" when all contract options considered	39.5%	27.0%	33.5%
% of simulations this option "wins" when compared to the renewal	0.0%	60.2%	48.4%

# Complex claims specialty practice

## Helping to Impact High Cost Claims

Our unique complex claims management service proactively monitors high-cost claimants and uses clinical strategies to achieve optimal claims savings.

### CLINICAL REVIEWS

- Track large claimants and group trends
- Current and future claim projections
- Condition and treatment education
- Laser validation and reference

### COST REDUCTION

- Verify site of care
- Review pharmacy utilization
- Alternative treatment methods
- Cost efficiency and alignment

### CLAIMS MANAGEMENT

- Ongoing claims tracking
- Monthly report monitoring
- Timely claim reimbursement
- Year-end claim reconciliation

Representing  
**1,000+**  
employer groups with  
1+ million employees

**100+**  
CLINICAL &  
FINANCIAL  
TRIGGERS



**10,000+**  
Clinical Reviews  
Performed

Purchase stoploss  
**7% better**  
than market at large

Clinical strategies  
have produced  
**\$100M+**  
in verified  
claims expense  
reductions

**\$1 Billion+**  
in Stop Loss premium managed

# Mayo Clinic Program

Following a successful pilot, a formal relationship with the Mayo Clinic is now in place covering two distinct areas:

	Complex Care Program	Specialty Program Referrals
<b>What it is</b>	Individual complex cases who may benefit from specialist referral and/or care coordination are identified and referred to Mayo by CCU Team. Travel benefit coordinated with employer.	Employers with self-funded plans are evaluated for potential to benefit from a condition-based specialty referral program across their population. First condition for roll out is <i>Living Donor Kidney Transplant</i> , a more cost-effective approach to ESRD
<b>Who is eligible</b>	Select complex claimants from any Lockton CCU client	Currently restricted to Lockton CCU "Enhanced or Clinical Only" clients
<b>Process</b>	<ul style="list-style-type: none"> <li>Lockton CCU confirms employer willingness to cover travel costs</li> <li>ASO/TPA case manager presents program to patient and, if interested, obtains medical records release form for Mayo</li> <li>Lockton CCU submits referral</li> <li>Mayo coordinates itinerary and travel, bills travel assistance to employer</li> </ul>	<ul style="list-style-type: none"> <li>CCU Team and Drs. Hale/Buck to review employer data and trends to evaluate fit</li> <li>Clients with relevant patient population introduced to Mayo Clinic specialty approach via webinar</li> <li>Cost/benefit analysis shared with client</li> <li>If employer wishes to extend benefit, CCU team and MDs work with CST to establish referral process and update plan documents</li> </ul>

In addition to these two patient programs, the Mayo Clinic is also supporting our clinical team with insights on evidence-based care and treatment protocols (aka, our "phone a friend").



# Lockton + Mayo = real impact

## Case Example:

1. Member of self-funded plan in Florida seeing multiple specialists and receiving care weekly
2. Despite this, she was hospitalized nearly *once per month* in 2018 due to severe anemia, at an annual cost of \$500,000
3. Lockton CCU identified opportunity for specialist evaluation and care coordination at Mayo Jacksonville
4. ASO Case Manager introduced program and facilitated patient enrollment; Lockton received travel benefit approval from employer
5. Cause of blood loss identified and treated...patient's claims have decreased to minimal considering her complex medical history and she has been able to return to work and reasonable sense of normalcy
6. Feedback from patient:

“

*The overall experience has been nothing short of amazing, and once again I want to thank all involved for giving me a chance to be part of this program.”*

**RISK MANAGEMENT • EMPLOYEE BENEFITS • RETIREMENT SERVICES**

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**Our Mission |** To be the worldwide value and service leader in insurance brokerage, risk management, employee benefits and retirement services

**Our Goal |** To be the best place to do business and to work

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