

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
Stop Loss Carrier	Florida Blue (HM)	Florida Blue (HM)	Florida Blue (HM)
Specific Deductible	\$300,000	\$300,000	\$300,000
Aggregating Specific	\$148,750	\$100,000	\$100,000
Specific Contract Basis	Paid	Paid	Paid
# of Lives	1,641	1,661	1,688
PEPM Specific Rate	\$23.87	\$30.14	\$38.88
PEPM Aggregate Rate	\$1.47	\$1.63	\$1.82
PEPM Aggregate Factor	\$1,082.41	\$1,165.75	\$1,334.80
Aggregate Corridor	125%	125%	125%
Aggregate Contract Basis	Paid	Paid	Paid
Commissions	0%	0%	0%
Laser Detail			
Number of Lasers	0	0	0
Total Laser Liability	\$0	\$0	\$0
Premium Vs. Claims			
Total Paid Premium	\$498,995	\$633,240	\$617,216
Total Paid Specific Claims	\$471,549	\$670,688	\$695,766
Annual Loss Ratio (reserves not included)	94%	106%	113%
Cumulative Loss Ratio	105%		
Target Loss Ratio	75%		
Claimants over the Deductible (may differ by year)			
Claimant 1	\$787,975	\$556,436	\$1,049,408
Claimant 2	\$432,324	\$501,513	\$346,358
Claimant 3	\$0	\$492,091	\$0
Claimant 4	\$0	\$420,003	\$0
Claimant 5	\$0	\$300,646	\$0
Additional Information:		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
Carrier	Florida Blue (HM)	Florida Blue (HM)	Symetra
Quote Status	Current	Quoted - Firm	Quoted - Firm
Coverage Included	Med, RX	Med, RX	Med, RX
Contract Basis	Paid	Paid	24/12
Enrollment	1,688	1,688	1,688
Specific Deductible	\$300,000	\$300,000	\$300,000
Aggregating Specific Deductible	\$100,000	\$100,000	\$100,000
Total Fixed Cost	\$824,419	\$1,128,057	\$1,616,429
Total Laser Liability	\$0	\$0	\$200,000
Total Attachment Point	\$27,037,709	\$30,267,123	\$28,391,012
Maximum Overall Liability	\$27,962,128	\$31,495,180	\$30,307,441
Change from Current			
Max Fixed Cost Change %		37%	96%
Fixed Cost Annual Change \$		\$303,637	\$792,010
Max Liability Change %		13%	8%
Max Liability Annual Change \$		\$3,533,052	\$2,345,313
2nd Year Renewal Protection (No New Lasers/Rate Cap)			
Renewal Protection Included		Yes	Yes
Rate Cap Maximum %		50%	50%
Max 2 Year Specific Fixed Cost - if Rate Cap Applies		\$2,820,142	\$4,041,072
3rd Party Contractual & Risk Assessment			
AM Best Financial Rating			A
Stop Loss Carrier Block Size			\$636M
Coverage Equivalency Rate Calculation			
PEPM Rate (Actual ISL & ASL)	\$40.70	\$55.69	\$79.80
Additional Notes			
Markets Declining:	Anthem, ISU, PACE, QBE, Swiss Re, TM HCC, TMS Re, TRU		
Market DTQ Reasons:	Ongoing claims activity		

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
Individual Specific Stop Loss Coverage				
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
Fixed Cost				
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%
Aggregate Stop Loss Coverage				
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
Laser Liability				
Total Laser Liability	\$0	\$0	\$0	\$0
Annualized Combined Coverage				
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
Change From Prior Year				
\$ 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%
No New Laser Rate Cap Coverage				
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



Stop Loss Renewal Analysis

Appendix



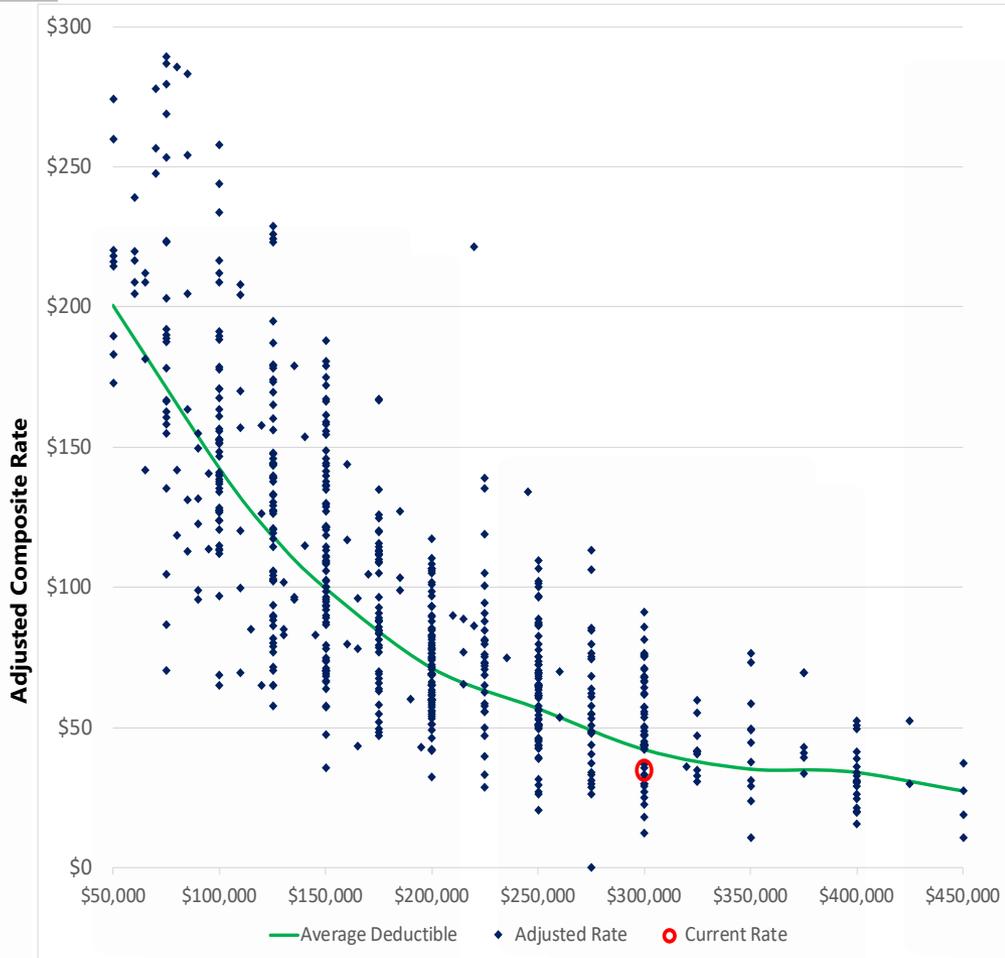
○ Benchmarking

○ Monte Carlo

○ Additional Information

Benchmarking

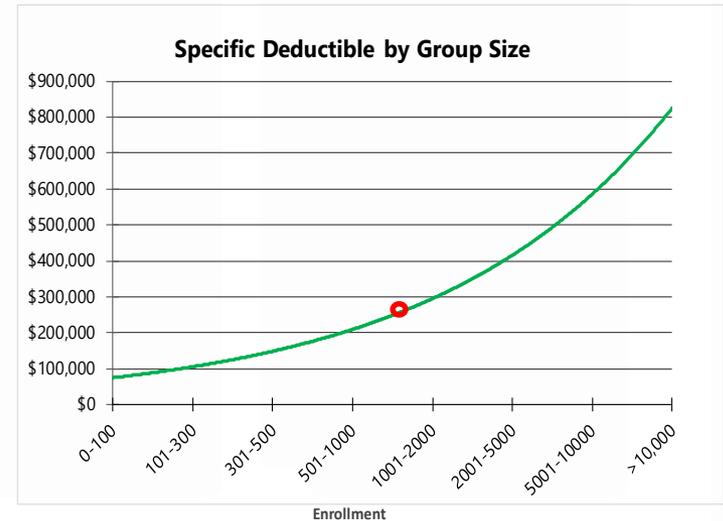
2019 Average Monthly Specific Premium Rate at Popular Deductible Levels



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

Number of Claims Exceeding Specific Deductible			
Carrier Options	Renewal Florida Blue (HM)	Option 1 Florida Blue (HM)	Option 2 Florida Blue (HM)
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

Total Dollar Amount of Claims Exceeding Specific Deductible			
Carrier Options	Florida Blue (HM)	Florida Blue (HM)	Florida Blue (HM)
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

What is the plan's expected cost under the various options?			
Carrier Options	Florida Blue (HM)	Florida Blue (HM)	Florida Blue (HM)
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

Clinical strategies
have produced

\$100M+

in verified
claims expense
reductions

Purchase stoploss
7% better
than market at large

\$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
What it is	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
Who is eligible	Select complex claimants from any Lockton CCU client	Currently restricted to Lockton CCU "Enhanced or Clinical Only" clients
Process	<ul style="list-style-type: none"> Lockton CCU confirms employer willingness to cover travel costs ASO/TPA case manager presents program to patient and, if interested, obtains medical records release form for Mayo Lockton CCU submits referral Mayo coordinates itinerary and travel, bills travel assistance to employer 	<ul style="list-style-type: none"> CCU Team and Drs. Hale/Buck to review employer data and trends to evaluate fit Clients with relevant patient population introduced to Mayo Clinic specialty approach via webinar Cost/benefit analysis shared with client If employer wishes to extend benefit, CCU team and MDs work with CST to establish referral process and update plan documents

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

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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