

INDIAN RIVER COUNTY
MEMORANDUM

TO: The Honorable Board of County Commissioners

THROUGH: John A. Titkanich, Jr., County Administrator

FROM: Suzanne Boyll, Human Resources Director

DATE: August 3, 2023

SUBJECT: Approval of Renewal of County's Stop Loss Policy with OptumHealth FY23/24

BACKGROUND:

The County is 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 OptumHealth and has an individual stop loss deductible of \$300,000 for individual claims and an aggregating specific stop loss deductible of \$100,000. We also carry aggregate stop loss coverage for the entire medical/pharmacy plan as a whole. Below is an explanation of individual stop loss, aggregating specific stop loss deductible, and aggregated stop loss coverages.

- Individual Stop Loss Specific Deductible (ISL) – IRC's liability on each individual on the plan (currently ISL is \$300k)
- Aggregating Specific Deductible (ASD) – For any ISL claims in excess of \$300k, IRC takes the liability for an additional \$100k in claims. This can either be satisfied by one member in excess of \$300k, or multiple members. The purpose of an aggregating specific deductible is to lower premiums paid to the stop-loss carrier in exchange for the plan sponsor potentially paying a bit more in claims throughout the policy period.
- Aggregated Stop Loss (ASL) – ASL protects the plan from unexpected, catastrophically high claims that exceed the limits of potential reserves. The aggregate stop loss coverage provides a \$1M policy to IRC in the event the claims paid in the plan year exceeded 125% of expected claims.

The current annual premium for the stop loss policy with Optum is \$1,626,612.24. The monthly premium is based on a per employee per month (PEPM) rate of \$65.57 per 1,686 lives. \$62.51 of the premium is for the ISL and ASD coverage and \$3.06 for the ASL coverage. The actual monthly 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 firm quotes from OptumHealth and International Specialty Underwriters (ISU). Quotes

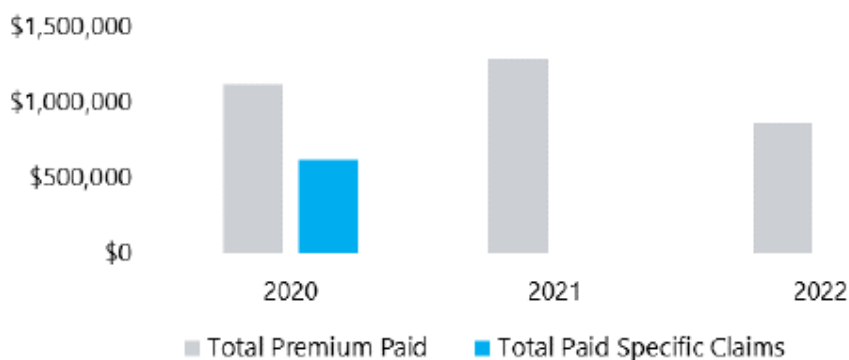
were also received from Berkley, Granular, QBE, Sun Life, Swiss Re, TM HCC, Voya, and Wellpoint, but they were determined to be uncompetitive.

Our stop plan performance for 2020, 2021, and the current year through May 31, 2023 is illustrated below. The total premiums paid through May 31, 2023 were \$3,651,127 and the total paid stop loss claims were \$619,431 from 2020. There were no stop loss claims paid in 2021 and no stop loss claims paid in the current year through May 31, 2023.

Historical Plan Performance	2020	2021	Current Plan Performance
Stop Loss Carrier	HM Insurance Group	HM Insurance Group	OptumHealth
Specific Deductible	\$300,000	\$300,000	\$300,000
Aggregating Specific	\$100,000	\$100,000	\$100,000
Contract Basis	Paid	Paid	24/12
# of Lives	1,670	1,650	1,686
PEPM Specific Rate	\$53.66	\$62.51	\$62.51
PEPM Aggregate Rate	\$2.03	\$2.03	\$3.06
Total Paid Premium	\$1,116,752	\$1,287,638	\$860,737
Total Paid Specific Claims	\$619,341	\$0	\$0
Annual Loss Ratio	55%	0%	0%
Cumulative Loss Ratio	26%		

Historical Claimant Activity	2020	2021	Current Claimant Activity
Claimant 1	\$577,884	\$369,463	\$339,827
Claimant 2	\$427,361	\$0	\$0
Claimant 3	\$421,186	\$0	\$0
Claimant 4	\$402,457	\$0	\$0
Claimant 5	\$384,595	\$0	\$0
Claimant 6	\$305,859	\$0	\$0
			Large Claims Thru:
			5/31/2023

Claims vs. Premium



The below worksheet reflects the results of the competitive responses from Optum Health and ISU:

Carrier	Current OptumHealth	Renewal OptumHealth	Neg. Renewal OptumHealth	Option 1 International Specialty Underwriters	Option 2 Wellpoint	Option 3 Berkley
Quote Status	Current	Initial Renewal	Negotiated Renewal	Quote-Firm	Quote-Illustrative	Quote-Illustrative
Coverage Included	Medical, RX	Medical, RX	Medical, RX	Medical, RX	Medical, RX	Medical, RX
Contract Basis	24/12	Paid (36/12)	Paid (36/12)	Paid (36/12)	24/12	24/12
Enrollment*	1,686	1,686	1,686	1,686	1,686	1,686
Specific Deductible	\$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
Aggregate Corridor	125%	125%	125%	125%	125%	125%
Annual Interface Fee	\$20,232	\$20,232	\$20,232	\$0	\$20,232	\$20,232
FINANCIAL ASSESSMENT						
Total Fixed Cost**	\$1,346,844	\$1,428,986	\$1,272,188	\$1,275,628	\$1,333,289	\$1,379,620
Total Laser Liability	\$0	\$0	\$0	\$0	\$0	\$0
Est. Total Aggregate Deductible	\$28,870,862	\$28,870,862	\$29,910,180	\$27,882,933	\$39,079,322	\$27,963,456
Fixed Cost Change %		6%	-6%	-5%	-1%	2%
Fixed Cost Change \$		\$82,142	-\$74,656	-\$71,217	-\$13,555	\$32,776
Max Liability	\$30,317,706	\$30,399,848	\$31,282,368	\$29,258,561	\$40,512,611	\$29,443,077
Max Liability Change \$		\$82,142	\$964,662	-\$1,059,145	\$10,194,905	-\$874,629
Max Liability Change %		0%	3%	-3%	34%	-3%
2ND YEAR RENEWAL PROTECTION (NO NEW LASERS / RATE CAP)						
Renewal Protection Included		Yes	Yes	Yes	Yes	Yes
Rate Cap Maximum %		50%	50%	50%	50%	50%

*Enrollment is from the census received in May 2023 / **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:

Both OptumHealth and ISU have provided competitive firm quotes maintaining the \$300k individual specific deductible, the \$100K aggregating specific deductible, and the aggregate stop loss coverage. The OptumHealth proposal results in a slightly lower premium at a 6% reduction from our current fixed costs. In October 2022, we moved from Highmark to OptumHealth and Lockton has recommended we renew with OptumHealth and at estimated annual savings of \$74,656. Staff agrees with this recommendation.

In addition, Lockton is recommending we remove the aggregate stop loss coverage at a savings of \$61,910. This coverage provides \$1M in additional coverage if our total medical and pharmacy claims exceed 125% of expected claims (\$29.9M). If our claims exceed the \$29.9M aggregate deductible, then this coverage would provide reimbursement for the amount over \$29.9M up to \$1M in coverage. The basis for the recommendation to remove the aggregate stop loss coverage is that for a group of IRC's size, the statistical likelihood of hitting IRC's aggregate deductible is less than 5%. Staff agrees with this recommendation.

The resulting savings achieved through the OptumHealth renewal and the removal of the ASL coverage totals \$136,566.

FUNDING

Funding for the annual stop loss insurance premiums of \$1,272,188 is included in the Employee Health Insurance/Stop Loss Fees Account 50412719-034589.

RECOMMENDATION:

Staff recommends and respectfully requests that the Board approve staff's recommendation to renew with OptumHealth for the 2023/2024 plan year with the current \$300K ISL and \$100K ASD at a 6% reduction in premiums, remove the aggregate stop loss coverage at a savings of \$61,910,

and authorize the Chairman to execute the application after review and approval by the County Attorney as to form and legal sufficiency.