

Executive Summary

Board of Governors Meeting, December 16, 2020

Stop Loss Coverage for Medical and Prescription Drug Coverage

Topic

Citizens contracts annually with a stop loss reinsurance vendor as a part of its self-funded employee medical and prescription drug plan. This type of reinsurance provides Citizens with a valuable risk management tool in the event that specific individuals, or those in the aggregate, covered by the company's medical and/or prescription drug plans experience significant costly claims. Through this reinsurance coverage, Citizens will be protected from, and reimbursed for, claims that exceed set amounts, as per the terms of the contract with the stop loss provider.

In the case where a specific employee (or dependent) suffers a catastrophic accident or medical condition (e.g. a car accident, heart attack, cancer) and Citizens experiences unusually high claims for the individual, the stop loss insurance provider reimburses Citizens for claims that exceed \$200,000. Similarly, Citizens is protected if the total covered employees (or dependents) have excessive claims in the aggregate which exceed the coverage thresholds.

History

Citizens' current stop loss coverage was placed with its current medical/prescription administrative services provider (Blue Cross and Blue Shield) and will end on December 31, 2020. The best quote for a 2021 carrier was performed by Citizens' competitively procured insurance broker, Mercer Health & Benefits, LLC (Mercer).

Mercer negotiated on Citizens' behalf and obtained competitive quotes. The recommendation is to select a new Vendor, HCC Life Insurance Company, for 2021. This quote for one-year coverage for Stop Life Coverage for Medical and Prescription Drug Insurance Coverage represents an anticipated reduction in premium of 10.4%, or \$99,985, from the current coverage. Employee participation determines the exact price for the coverage and will be determined during the 2021 open enrollment based upon participation in the self-funded Exclusive Provider Organization (EPO) and Preferred Provider Organization (PPO) medical and prescription benefit programs.

HCC is a well-known provider in the stop loss marketplace. HCC's firm bid, based upon 1,058 covered employees, of \$862,627 represents its analysis of Citizens' risks based on trend information provided during the marketing process and represents significant savings from the current policy with Blue Cross and Blue Shield.

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Recommendation

Staff recommends that the Citizens Board of Governors take the following actions:

- a) Approve a contract for Stop Loss Coverage for Medical and Prescription Drug Coverage with HCC Life Insurance Company for a term of one year, beginning on January 1, 2021 and ending on December 31, 2021 for an amount not to exceed \$862,627, with authorization for adjustment should employee enrollment differ, as set forth above; and
- b) Authorize staff to take any appropriate or necessary action consistent with this Action Item.

ACTION ITEM

Board of Governors Meeting, December 16, 2020

- | | |
|---|---|
| <input checked="" type="checkbox"/> Contract – New | <input type="checkbox"/> Committee or Board Minutes |
| <input type="checkbox"/> Contract – Amendment of Contract Terms | <input type="checkbox"/> Product Changes |
| <input type="checkbox"/> Contract – Additional Spend | <input type="checkbox"/> Other _____ |

Contract ID	STOP LOSS COVERAGE FOR MEDICAL AND PRESCRIPTION DRUG COVERAGE Recommended Vendor: HCC LIFE INSURANCE COMPANY
Budgeted Item	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No Funding to be included in the Annual Operating Budget for the contract term year.
Procurement Method	As a fully insured product, this coverage is placed through our competitively procured insurance broker, Mercer Health & Benefits, LLC (Mercer). The incumbent provider of this coverage is Florida Blue whose current contract expires on December 31, 2020. Mercer negotiated on Citizens' behalf and obtained competitive quotes. The recommendation is to select a new Vendor, HCC Life Insurance Company, for 2021. This quote estimates the price for one-year of stop loss coverage for Citizens' self-funded medical and prescription drug benefit program.
Contract Amount	Estimated cost of Stop Loss Coverage through HCC Life Insurance Company for the contract period of January 1, 2021 through December 31, 2021, is \$862,627.
Contract Term(s)	January 1, 2021 through December 31, 2021
Purpose/Scope	<p>This Action Item requests approval for a contract award to HCC Life Insurance Company to provide stop loss coverage for catastrophic claims as needed through the self-funded Exclusive Provider Organization (EPO) and Preferred Provider Organization (PPO) medical plans and prescription benefit program to be offered to Citizens' employees, effective January 1, 2021.</p> <p>Employee participation will be determined during the 2021 open enrollment period. The total cost will be a function of the enrollment in the self-funded Exclusive Provider Organization (EPO) and Preferred Provider Organization (PPO) medical plans and prescription benefit program.</p>

ACTION ITEM

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Recommendation	Staff recommends that Citizens Board: a) Approve a contract for Stop Loss Coverage for Medical and Prescription Drug Coverage with HCC Life Insurance Company for a term of one year, beginning on January 1, 2021 and ending on December 31, 2021 for an amount not to exceed \$862,627, with authorization for adjustment should employee enrollment differ, as set forth in this Action Item; and b) Authorize staff to take any appropriate or necessary action consistent with this Action Item.
CONTACTS	Violet Bloom, Chief Human Resources Officer James Taylor, Director, Total Rewards