

# Executive Summary

Board of Governors Meeting, December 15, 2021

## Stop Loss Coverage for Medical and Prescription Drug Benefits Program

### Topic

This Stop Loss Coverage for Medical and Prescription Drug Benefits Program Coverage Action Item will be presented at the December 15, 2021, Citizens Board of Governors Meeting.

Recommended Vendor: HCC Life Insurance Company

### History

Citizens' current stop loss coverage with HCC Life Insurance Company will end on December 31, 2021. 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 high value 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., heart attack, cancer) and Citizens experiences unusually expensive claims for the individual, the stop loss insurance provider protects and 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.

Mercer Health & Benefits, LLC (Mercer), our competitively procured insurance broker, negotiated on Citizens' behalf and obtained competitive quotes with national vendors. Based on trend and our claims experience, the analysis showed average increases between 28.2% - 31.1% and 3 vendors declining to quote, due to the inability to offer competitive pricing for policies starting January 1, 2022. Additional premium savings were considered by increasing the individual stop loss deductible from \$200,000 to \$250,000 or \$300,000, however, guidance from Mercer determined the increased individual deductible would negate any premium savings.

The 2022 premiums for the HCC Life Insurance Company represent a 28.2% increase from current rates. The closest other quote represents a 31.1% higher rate, and unlike the HCC quote, this was not a firm quote. In the recommendation for HCC Life Insurance, our broker concluded as follows: "Currently there is no other carrier in the market with a more competitive proposal, and TMCC's rates are competitive and below the 25th percentile of Mercer's book of business."

The recommendation is for the board to approve a contract with the current incumbent, HCC Life Insurance Company, a well-known provider in the stop loss marketplace, for 2022. This quote of one-year coverage for Stop Loss Coverage for Medical and Prescription Drug Coverage represents the most competitive rate in the market, based upon 1,035 covered

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employees, at an anticipated premium of \$1,109,209. This firm quote represents its analysis of Citizens' risks based on trend information provided during the marketing process and employee participation.

Employee participation determines the exact price for the coverage and will be determined during the 2022 open enrollment based upon participation in the self-funded Exclusive Provider Organization (EPO), High Deductible Health Plan (HDHP), and Preferred Provider Organization (PPO) medical and prescription benefit programs.

## Recommendation

Staff recommends that the Citizens Board of Governors:

- a) Approve a one-year Stop Loss Coverage for Medical and Prescription Drug Benefits Program contract with HCC Life Insurance Company from January 1, 2022, through December 31, 2022, at a total estimated cost of \$1,109,209, 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.

## Stop Loss Coverage for Medical and Prescription Drug Benefits Program Action item

 ACTION ITEM

 New Contract

 Contract Amendment

 Other \_\_\_\_\_

 CONSENT ITEM

 Contract Amendment

 Existing Contract Extension

 Existing Contract Additional Spend

 Previous Board Approval \_\_\_\_\_

 Other \_\_\_\_\_

**Action Items:** Items requiring detailed explanation to the Board. When a requested action item is a day-to-day operational item or unanimously passed through committee it may be moved forward to the board on the Consent Index.

- Move forward as Consent:** This Action item is a day-to-day operational item, unanimously passed through committee or qualifies to be moved forward on the Consent Index.

**Consent Items:** Items not requiring detailed explanation to the Board of Governors. Consent items are contract extensions, amendments or additional spending authorities for items previously approved by the Board.

<b>Item Description</b>	Stop Loss Coverage for Medical and Prescription Drug Benefits Program
<b>Purpose/Scope</b>	<p>This Action Item requests approval for a contract award to HCC Life Insurance Company to provide stop loss coverage for high value 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, 2022.</p> <p>Employee participation will be determined during the 2022 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, High Deductible Health Plan (HDHP), (PPO) medical plans and prescription benefit program.</p>
<b>Contract ID</b>	<p>Stop Loss Coverage for Medical and Prescription Drug Benefits Program            Contract number: 2121500700            Recommended vendor: HCC LIFE INSURANCE COMPANY</p>
<b>Budgeted Item</b>	<p><input checked="" type="checkbox"/> Yes</p> <p><input type="checkbox"/> No</p> <p>Funding to be included in the Annual Operating Budget for the contract term year.</p>

## Stop Loss Coverage for Medical and Prescription Drug Benefits Program Action item

<b>Procurement Method</b>	As a fully insured product, this coverage is placed through our competitively procured insurance broker, Mercer Health & Benefits, LLC (Mercer). Mercer negotiated on Citizens' behalf and obtained competitive quotes. The recommendation is to select the current incumbent, HCC Life Insurance Company, for 2022. This quote estimates the price for one-year of stop loss coverage for Citizens' self-funded medical and prescription drug benefit program.
<b>Contract Amount</b>	Estimated cost of Stop Loss Coverage through HCC Life Insurance Company for the contract period of January 1, 2022, through December 31, 2022, is \$1,109,209.
<b>Contract Term</b>	January 1, 2022, through December 31, 2022

<b>Board Recommendation</b> (DOES NOT go through Committee)	<p>Citizens' Staff proposes that the Board of Governors:</p> <ul style="list-style-type: none"> <li>a) Authorize the Stop Loss Coverage for Medical and Prescription Drug Benefits Program Action item with HCC Life Insurance Company for a term of one year, for an estimated amount of \$1,109,209, with authorization for adjustment should employee enrollment differ, as set forth in this Action Item; and</li> <li>b) Authorize staff to take any appropriate or necessary action consistent with this Action Item.</li> </ul>
<b>CONTACTS</b>	<p>Violet Bloom, Chief Human Resources Officer James Taylor, Director, Total Rewards</p>