

Executive Summary

Board of Governors Meeting, December 7, 2022

Stop Loss Coverage for Medical and Prescription Drug Coverage

Topic

Citizens Property Insurance Corporation (Citizens) staff is requesting approval to enter into a contract with HCC Life Insurance Company (HCC) for Stop Loss Coverage for Medical and Prescription Drug Insurance Coverage. The term of the contract will be one (1) year with no renewal terms available. The total contract amount is estimated at \$2,088,000.

History

Citizens contracts annually with a stop loss reinsurance vendor as a part of its self-funded employee medical and prescription drug program.

In the case where a specific employee (or dependent) suffers a catastrophic accident or medical condition, the stop loss insurance provider will indemnify Citizens for claims in excess of the individual stop loss threshold. Similarly, Citizens will be indemnified if the total annual claims exceed the coverage thresholds. Citizens' current stop loss coverage with HCC ends on December 31, 2022.

Mercer Health & Benefits, LLC (Mercer), our current competitively procured insurance broker, negotiated on Citizens' behalf, and requested competitive quotes from national vendors. HCC quoted an increase based on their trend analysis and Citizens' claims experience. Premiums paid to HCC from 2021 to current total \$1,623,667, and claim reimbursements paid to Citizens during that timeframe total \$2,721,796, representing a 168% loss ratio on the policy year.

Mercer sought quotes from four alternative vendors, each declined to quote, due to their inability to offer competitive prices relative to the incumbent, and Citizens' claim experience.

The HCC projected 2023 average premium estimate is \$2,088,000 based on a budgeted headcount projection of 1,431 benefit enrolled employees. The stop loss premium rate is calculated based on the number of enrolled participants in the medical/prescription drug program at either the employee-only or family rate and is combined with a composite premium rate per covered person. Premium reduction alternatives were considered by increasing the individual stop loss deductible from the current \$200,000 Individual Stop Loss (ISL) to \$225,000 or \$250,000, however, Mercer recommended retaining the lower ISL (and accepting the higher premium) to transfer the claims risk to avoid potentially higher overall program cost.

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The recommendation is for the Board of Governors to approve a one (1) year policy renewal with HCC.

Recommendation

Citizens' Staff proposes that the Board of Governors:

- a) Authorize the Stop Loss Coverage for Medical and Prescription Drug Coverage Action item with HCC Life Insurance Company for a term of one (1) year, for an estimated amount of \$2,088,000, 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.

Stop Loss Coverage for Medical and Prescription Drug Coverage 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.

Item Description	Stop Loss Coverage for Medical and Prescription Drug Insurance Coverage
Purpose/Scope	<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 medical plans and prescription benefit program to be offered to Citizens' employees, effective January 1, 2023.</p> <p>Employee participation will be determined during the 2023 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), High Deductible Health Plan (HDHP), medical plans and prescription benefit program.</p>
Contract ID	<p>Stop Loss Coverage for Medical and Prescription Drug Coverage</p> <p>Contract number: 22-22-5007-00</p> <p>Recommended vendor: HCC LIFE INSURANCE COMPANY</p>
Budgeted Item	<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>
Procurement Method	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

Stop Loss Coverage for Medical and Prescription Drug Coverage Action Item

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	recommendation is to select the current incumbent, HCC Life Insurance Company, for 2023. This quote estimates the price for one (1) 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, 2023, through December 31, 2023, is \$2,088,000. The premium projection is based on a budgeted headcount of 1,431 benefit enrolled employees.
Contract Term	January 1, 2023, through December 31, 2023
Board Recommendation (DOES NOT go through Committee)	<p>Citizens' Staff proposes that the Board of Governors:</p> <p>a) Authorize the Stop Loss Coverage for Medical and Prescription Drug Coverage Action item with HCC Life Insurance Company for a term of one (1) year, for an estimated amount of \$2,088,000, with authorization for adjustment should employee enrollment differ, as set forth in this Action Item; and</p> <p>b) Authorize staff to take any appropriate or necessary action consistent with this Action Item.</p>
Contacts	Violet Bloom, Chief Human Resources Officer James Taylor, Director, Total Rewards