

Executive Summary

Board of Governors Meeting, December 4, 2024

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 Voya Financial, Inc. (Voya) to provide Stop Loss Coverage for Citizens' 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 \$2,474,018.

History

Citizens contracts annually with a stop loss insurance 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. Citizens will also be indemnified if the total annual claims exceed the coverage thresholds. Citizens' current stop loss coverage with Voya ends on December 31, 2024. The new contract premium represents an increase of 34%, with our deductible increasing from \$200K to \$225K.

Gallagher Benefit Services, Inc. (Gallagher), our competitively procured insurance broker, negotiated on Citizens' behalf, and requested competitive quotes from nine (9) national vendors. Six (6) of these declined to quote due to their inability to offer competitive prices relative to other vendors and Citizens' claim experience. One (1) vendor was nonresponsive. Two (2) quotes from qualified vendors were received and evaluated by Gallagher.

Voya, the vendor recommended by Gallagher, is a division of ReliaStar Life Insurance Company, has been a leader in the stop loss market for over 40 years, and is one of the Top 3 independent stop loss carriers with a current stop loss block at over \$1.2 billion. Voya's quote, which is based on Voya's trend analysis and Citizens' claims experience, includes a no new laser provision¹ and a 50% rate renewal cap. Premiums paid from January to September 2024 total \$1,500,012, and claim reimbursements paid to Citizens during that timeframe total \$692,506, representing a 46% loss ratio on the policy year to date.

The projected 2025 average premium estimate is \$2,474,018 based on a budgeted headcount projection of 1,240 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 which is combined to determine a composite premium rate per covered individual.

¹ A laser is a separate, high, individual specific deductible that applies to a single, identified person within an individual stop-loss policy. If lasers were allowed, the identified person would be subject to a higher individual deductible.

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Recommendation

Citizens' Staff proposes that the Board of Governors:

- a) Authorize the Stop Loss Coverage for Medical and Prescription Drug Coverage Action item with Voya Financial, Inc., for a term of one (1) year, for an estimated amount of \$2,474,018, 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 Coverage
Purpose/Scope	<p>This Action Item requests approval for a contract award to Voya Financial, Inc., 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, 2025.</p> <p>Employee participation will be determined during the 2025 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: 24-24-6017-00</p> <p>Recommended vendor: VOYA FINANCIAL, INC.</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.</p>
Procurement Method	As a fully insured product, this coverage is placed through our competitively procured insurance broker, Gallagher Benefit Services, Inc. (Gallagher). Gallagher negotiated on Citizens' behalf and obtained competitive quotes.

Stop Loss Coverage for Medical and Prescription Drug Coverage Action Item

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	Gallagher's recommendation is to select Voya Financial, Inc., for 2025. This quote estimates the price for one (1) year of stop loss coverage for Citizens' self-funded medical and prescription drug benefit program as premium will be based upon enrolled employees and covered individuals.
Contract Amount	Estimated cost of Stop Loss Coverage through Voya Financial, Inc., for the contract period of January 1, 2025, through December 31, 2025, is \$2,474,018. The premium projection is based on a budgeted headcount of 1,240 benefit enrolled employees.
Contract Term	January 1, 2025, through December 31, 2025
Board Recommendation (DOES NOT go through Committee)	<p>Citizens' Staff proposes that the Board of Governors:</p> <ul style="list-style-type: none"> a) Authorize the Stop Loss Coverage for Medical and Prescription Drug Coverage Action item with Voya Financial, Inc., for a term of one (1) year, for an estimated amount of \$2,474,018, 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	<p>Jeremy Pope, Chief Administrative Officer</p> <p>Denise Bass, Vice President of Human Resources</p> <p>James Taylor, Director, Total Rewards</p>