RATIFY APPROVAL OF STOP LOSS AGREEMENT FOR NON-MEDICARE ELIGIBLE RETIREE HEALTH PLAN
Period: January 1, 2012 – December 31, 2012

Human Resources – Staff Report

Each year the County's non-Medicare Eligible Retiree Health Plan consultant reviews the current stop loss coverage for the best rates, factors, terms and conditions in the renewal of stop loss coverage for the County's Retiree Health Plan. This coverage protects the Retiree Health Plan and the County from catastrophic losses by individuals. The coverage provides for individual coverage on medical and prescription claims in excess of $125,000 to $1,000,000. The coverage also provides for aggregate stop loss at 125% of expected claims with a maximum annual reimbursement of $1,000,000 for medical and prescription claims.

As in the past, in order to obtain the best possible discounts, through economies of scale, quotes were obtained combining both the non-Medicare Eligible Retiree and Active Employee populations.

While the Non-Medicare Eligible Retiree Health Plan is ending effective February 29, 2012, stop loss coverage is necessary after the plan ends to cover any large claims run-out that may occur over the 12 month period following the termination of the plan.

Current Stop Loss Experience

The loss ratio of the current stop loss policy (1/1/11 – 12/31/11) is summarized in the attachment table, A- Stop Loss Coverage Summary, but may not include claims incurred in mid to late December, 2011. As shown, the retiree segment is quite favorable, while the stop loss experience for the active employees was not.

The County paid a total stop loss premium (active employees and retirees) of $980,045, however, the estimated claims that were paid out of the stop loss policy is over $995,866. The resulting stop loss "loss ratio" is 102% or a loss of $15,821 for Swiss Re, the County's 2011 Stop Loss Insurance Carrier. The ideal loss ratio for stop loss should be about 85%.

Results of Market Bids

A list of the carriers contacted is attached. Almost all carriers declined, except for SunLife, the County's current insurer Swiss Re, and HCC (Houston Casualty Corporation), given the County's unfavorable stop loss experience. SunLife provided a competitive bid to Swiss Re while HCC was not able to provide competitive rates nor confirmation of final rates.

See exhibits titled, "Stop Loss Bid Comparison". The retirees rates were provided only at the current deductible. Although the retirees had an excellent experience with Swiss Re, their renewal was at a 1.40% increase over last year's while Sun Life's proposal provided for a 2.33% reduction.

Recommendation

Keenan & Associates recommended the County accept the SunLife proposal with a reduction in cost of 2% for the Retirees and no deductible change. The Human Resources Benefits Administration Manager, Human Resources Director and Executive Officer agreed with Keenan's recommendation.

Based on the urgency of getting a stop loss policy in place with an effective date of January 1, 2012, and the Board's prior approval (September 2011) of the non-Medicare Eligible Retiree Health Plan Rates for 2012 which included stop loss rates similar to those proposed, the County Executive Officer authorized the Human Resources Department to sign the stop loss agreements on the County's behalf.

Staff is requesting Board ratification of the approval of the attached agreement with CCHI in the amount of approximately $163,721 for the Period January 1 – December 31, 2012 to provide stop loss/risk management services.