

INTER-OFFICE COMMUNICATION

Date: 11/20/2014

To: Marina Dimitrijevic, Chairwoman, Milwaukee County Board of Supervisors

FROM: Matthew Hanchek, Director of Benefits, Department of Human Resources *Matthew*

SUBJECT: **Report from the Director of Benefits, Department of Human Resources, regarding stop loss coverage for Milwaukee County's medical plans. Informational only. No action required.**

Issue/Background

Milwaukee County purchases stop-loss insurance as a means of mitigating the risk exposure of catastrophic medical claims incurred under the County's self-funded health plans. In terms of process, the stop loss component has been treated as an ancillary agreement to the total health care contract, as the health care contract controls the County's risk exposure related to excessive health care costs. Stop loss coverage is a separate component from the medical Third Party Administration (TPA) contract because it is a purchased insurance policy, as opposed to a professional service contract. Stop Loss policies are generally negotiated and written on an annual basis.

Historically, the market for stop loss insurance has been challenging. Over the past few years it has been a struggle to secure competitive quotes from alternative carriers. Fortunately, the market has significantly improved for the 2015 plan year.

The Benefits Division, with assistance from Willis of Wisconsin was able to secure a favorable renewal quotes, and alternative bids at both the current \$300,000 deductible, and a \$350,000 deductible. A comparison of the quotes are included in the table on page 3.

Evaluation of Quotes:

The Benefits Division and Willis of Wisconsin has evaluated all options at the current \$300,000 deductible and a potential increase to a \$350,000 deductible. In all cases, the premiums quoted are a significant improvement over the initial renewal included in the adopted budget.

There are two key distinctions regarding UnitedHealthCare that need to be acknowledged. First, as an internal stop loss, reimbursement of stop loss claims occurs immediately upon processing the claim. In other words, Milwaukee County never pays the claims in excess of the stop loss deductible. Both Voya and Symetra would be external stop loss policies, which would require the County to pay the claim and wait for reimbursement. Second, UHC's contract would be a

“paid” contract, which means that they will include all claims paid in the 2015 plan year. Voya and Symetra would only consider claims incurred in 2014 – 2015, and paid in 2015.

As demonstrated in the table on page 3, the best financial quote at the \$300,000 deductible level is only a marginal improvement over revised renewal offer by UHC. Consequently, the Benefits supports retaining UHC at the current deductible. The total anticipated premium cost for this coverage will be a reduction in County costs of \$666,435 from the amount anticipated in the budget.

Generally we recommend increasing the stop loss threshold periodically to adjust for inflation and improve rate stability, provided the quoted rates give sufficient financial incentive (premium savings) to offset the increased claims risk to the County. As demonstrated in the table on page 3, there is a case to be made for moving to a \$350,000 deductible with Voya, however, it is the Benefits Divisions opinion that the combination of additional claim risk and the loss of the benefits of utilizing internal stop loss outweigh the potential financial benefit. The Benefits Division will proceed with the County’s current practice of limiting individual catastrophic claim exposure to \$300,000.

CC: County Executive Chris Abele
Raissa Koltun, Chief of Staff, County Executive’s Office
Kerry Mitchell, Chief Human Resources Officer
Paul Bargren, Corporation Counsel
Supervisor David Cullen, Co-Chairman, Personnel, Finance & Audit Committee
Supervisor Willie Johnson, Co-Chairman, Personnel, Finance & Audit Committee
Kelly Bablitch, Chief of Staff, Milwaukee County Board of Supervisors
Don Tyler, Director of Administrative Services
Josh Fudge, Director, Performance, Strategy, and Budget
Scott Manske, Comptroller
Stephen Cady, Comptroller’s Office

Covered Members

County 5128
Transit 1944

Contract Terms	UHC - Current	UHC (Budget)	UHC Final	Voya	Symetra
Lasers	none	none	none	none	none
Contract type	Paid/12	Paid/12	Paid/12	24/12	24/12
No new Lasers permitted	Not included	Not included	Not included	Included	Included
Retirees Included	Yes	Yes	Yes	Yes	Yes

\$300,000 Spec Level	UHC - Current	UHC (Budget)	UHC Renewal	Voya	Symetra
Rate*	\$26.66	\$34.61	\$23.78	\$24.07	\$22.90
Annual Cost (County)	\$1,640,550	\$2,129,761	\$1,463,326	\$1,481,172	\$1,409,174
Annual Cost (Transit)	\$621,924	\$807,382	\$554,740	\$561,505	\$534,211
Annual Cost (Combined)	\$2,262,474	\$2,937,143	\$2,018,066	\$2,042,676	\$1,943,386
Change from renewal (County)	---		-\$666,435	-\$648,589	-\$720,587
Change from renewal (Transit)	---		-\$252,642	-\$245,877	-\$273,171
Change from renewal (Combined)	---		-\$919,077	-\$894,467	-\$993,757

\$350,000 Spec Level	UHC - Current		UHC Renewal	Voya	Symetra
Rate*	---		\$19.61	\$18.53	\$19.40
Annual Cost (County)	---		\$1,206,721	\$1,140,262	\$1,193,798
Annual Cost (Transit)	---		\$457,462	\$432,268	\$452,563
Annual Cost (Combined)	---		\$1,664,183	\$1,572,530	\$1,646,362
Change from renewal (County)	---		-\$256,605	-\$323,064	-\$269,528
Change from renewal (Transit)	---		-\$97,278	-\$122,472	-\$102,177
Change from \$300,000 Deductible	---		-\$353,883	-\$445,536	-\$371,704
Additional claim exposure			\$300,000	\$300,000	\$300,000
Net change			-\$53,883	-\$145,536	-\$71,704