

INTER-OFFICE COMMUNICATION

Date: 12/29/2014

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

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

SUBJECT: **Report from the Director of Benefits, Department of Human Resources, requesting authorization to revise stop loss coverage terms with UnitedHealthCare, and waiver of MCGCO 56.30(9).**

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. As such, the Division is recommending retaining UnitedHealthCare at the current \$300,000 deductible.

Requested Action:

The current approved contract allows for renewal for 2015 if there are no changes in terms. The negotiated quote actually improves on the current terms. Consequently, the Benefits Division requests approval to modify the UHC Stoploss terms as stated in the attached table on page 3 effective 1/1/2015. As the approval would be given after the effective date, we are also requesting a waiver of MCGCO 56.30(9).

CC: County Executive Chris Abele
Raisa Koltun, Chief of Staff, County Executive’s Office
Kerry Mitchell, Chief Human Resources Officer
Paul Bargren, Corporation Counsel
Supervisor Theodore Lipscomb Sr., Co-Chairman, Personnel, Finance & Audit Committee
Supervisor Willie Johnson Jr., Co-Chairman, Personnel, Finance & Audit Committee
Kelly Bablitch, Chief of Staff, Milwaukee County Board of Supervisors
Teig Whaley-Smith, 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 |