


COUNTY OF MILWAUKEE
DEPARTMENT OF HUMAN RESOURCES
INTER-OFFICE COMMUNICATION

DATE : December 28, 2018

To : Chairman Theodore Lipscomb Sr., County Board of Supervisors

FROM :  Tony L. Maze, Director of Benefits Admin – Department of Human Resources

SUBJECT : Report from the Director of Benefits Administration, Employee Benefits Division, Department of Human Resources, regarding stop loss coverage for Milwaukee County's medical plans

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 in general has been challenging. The County's stop loss policies have been no exception. In the 2019 renewal process, Voya was one of only two firms to submit a quote for this coverage.

The market for stop loss insurance continues to be difficult for 2019 based on the aging retiree population which is included under this policy. Willis Towers Watson Consulting Group negotiated a quote from Voya at the current \$350,000 deductible. Willis also solicited competing bids from ten firms: HIIG, Berkshire Hathaway, Berkley, Voya, American Fidelity, QBE, United Health Care, TM/HCC, Sun Life, and Symetra. Of the ten alternative vendors, only United Healthcare and Voya were competitive. Seven of the ten vendors solicited declined to quote being uncompetitive.

Voya's 2019 Option

(1) \$350,000 Deductible:

- Quoted rate of \$39.78 PMPM; a \$227,167.92 increase in premium over UHC's \$350,000 deductible rate for 2018
- Adjusts the County's risk exposure to keep pace with inflation

UHC's 2019 Option**(2) \$350,000 Deductible:**

- Quoted rate of \$44.67 PMPM; a \$621,086.76 increase in premium over UHC's 2018 deductible rate.
- Adjusts the County's risk exposure to keep pace with inflation

****If utilizing an external stop loss carrier other than UHC, the County's current medical provider, UHC will charge and additional \$1 PEPM to send reports to another vendor for a total cost of \$80,556. ****

Milwaukee County
Stop Loss Cost Analysis
Effective: 01/01/2019

Reinsurance Carrier		Current	Renewal	Option
Medical Administrator		UHC	UHC	Voya
Provider Network(s)		UHC	UHC	UHC
		Choice, Choice+	Choice, Choice+	Choice, Choice+
SPECIFIC STOP LOSS		Medical Only	Medical Only	Medical Only
LASERS		None	None	None
Contract Type		PAID	PAID	24/12
Specific Deductible		\$350,000	\$350,000	\$350,000
Plan Mirroring		Included	Included	Included
No New LASER at Renewal Provision		Not included	Not included	Included
Rate Cap at Renewal Provision		Not included	Not included	Included
Maximum Renewal Increase				40%
Retiree Inclusion		Included	Included	Included
Specific Premium				
6713	Composite	\$36.96	\$44.67	\$39.78
	Monthly Specific Premium	\$248,112.48	\$299,869.71	\$267,043.14
	Annual Specific Premium	\$2,977,349.76	\$3,598,436.52	\$3,204,517.68
	Cost Difference (\$)		\$621,086.76	\$227,167.92
	Cost Difference (%)		20.86%	7.63%
Proposal Finalization Date / Requirements			Firm	*Firm quote through 10/31/2018

The Benefits Division, the Budget Office and the Comptroller evaluated all options and recommendations presented by Willis Towers Watson that Milwaukee County should switch our stop loss coverage from UHC to Voya effective 1/1/2019. The alternative quote from UHC is not an attractive option based on the significant increase in premium provided in the quote.

Summary of Request

The Benefits Division agrees with the Willis Towers Watson assessment that the final proposed switch to Voya is the County's best option given the relatively poor stop loss insurance market, the County's claims experience, and the demographics of the County's covered population.

Consequently, the Benefits Division recommends approval for purchasing the stop loss insurance policy quoted by Voya with a \$350,000 deductible effective January 1st, 2019.

A few things about the Voya offer:

- It is matching the current deductible of \$350,000 as well as the current contract terms (24/12 contract, medical only coverage, retirees are included, and they're agreeing to mirror the County's current plan).
- The Voya offer is +7.63% over current; this is a savings of **\$393,919** as compared to the UHC renewal
- The Voya contract has some improved terms over UHC; specifically:
 - They agree to no new laser upon renewal (UHC will not guarantee no new laser)
 - They agree to a renewal cap of no more than 40% (UHC does not provide a renewal cap)
- If the County goes with Voya, UHC charges \$1pepm (or \$80,556/year) to send reporting to Voya. This would reduce the savings noted above.

CC: County Executive Chris Abele
Raisa Koltun, Chief of Staff, County Executive's Office
Margaret Daun, Corporation Counsel
Supervisor James "Luigi" Schmitt, Chair, Finance & Audit Committee
Supervisor Eddie Cullen, Chair, Personnel Committee
Teig Whaley-Smith, Director of Administrative Services
Scott Manske, Comptroller
Stephen Cady, Comptroller's Office
Rick Norris, Director, Office of the Community Business Development Partners
Chris Luttrell, Director, Risk Management