

Medical Specific and Aggregate Stop Loss Insurance

December 9, 2008

SUMMARY:

This item requests approval of the proposal for United HealthCare to administer Medical Specific and Aggregate Stop Loss Insurance for the 2009 plan year.

PREVIOUS BOARD ACTION:

On December 13, 2005 the Board approved United HealthCare as the stop loss vendor for the District for the 2006 plan year.

BACKGROUND INFORMATION:

The current contract is a one-year contract with the option to renew on an annual basis. The contract has been extended on an annual basis through 2008. In September 2008, the staff sent out a Request for Proposals and received three responses.

SIGNIFICANT ISSUES:

Although United HealthCare appears to be the more expensive choice, the assurance of a seamless, time sensitive medical claims reimbursement is a significant consideration in the selection process. Currently a reimbursement to the HealthCare Trust from stop loss reimbursements is about a two week time frame. This is exceptional. Should a vendor change occur, we will experience a much expanded reimbursement time frame of 30-60 days minimum. We would also assume a claim denial risk, not currently present. Stop loss claim denials result from incorrectly paid medical claims, late claim submissions, incorrect paperwork and/or the request for high claim audits. At a future date, the assumption of these risks, as well as a longer period for claim reimbursements, may be necessary but currently are not.

In evaluation of the proposals and subsequent qualification data, the selection of United HealthCare will mean an additional increase in premiums of \$107,814 to the HealthCare Trust. The selection of ING would mean a minimal reduction of current rates. Arbor Benefit Group is the least costly. Selection of either ING or Arbor Benefit Group means the assumption of higher claims costs to the HealthCare Trust for one individual lasered with an additional specific amount.

FISCAL IMPLICATIONS:

The recommended individual specific level and proposed renewal rates for Denton ISD are as follows:

United HealthCare	Current	Proposed	Change
Stop Loss Administration fee:			
Individual Stop Loss	\$ 25.76	\$ 29.10	(13%)
Aggregate Stop Loss	\$ 1.87	\$ 1.73	(.07%)
Attachment Factor	\$ 536.51	\$ 540.29	(.01%)
Individual Specific	\$175,000	\$175,000	N/A

These administration fees will be paid monthly from the Healthcare Trust fund based on the appropriate employee count.

BENEFIT OF ACTION:

This insurance coverage will protect the District's self-funded plan for claims in excess of \$175,000 per individual and an aggregate amount of approximately 125% of paid claims.

PROCEDURAL AND REPORTING IMPLICATIONS:

Upon Board approval, United HealthCare will be the stop loss vendor for 2009 and the new rates will be effective January 1, 2009.

ALTERNATIVES:

If not approved, the District would need to select one of the remaining two choices noted on the proposal spreadsheet.

SUPERINTENDENT'S RECOMMENDATION:

Recommend approval of United HealthCare as the Stop Loss vendor, with the proposed rates outlined above for 2009.

STAFF PERSONS RESPONSIBLE:

Sally Havey, Insurance Coordinator
Debbie Monschke, Executive Director Budget and Finance

ATTACHMENT:

Letter from Smith & Associates Consulting
Stop Loss Proposal Response Spreadsheet

APPROVAL:

Signature of Staff Member Proposing Recommendation: _____

Comments: _____

Signature of Divisional Leader: _____

Comments: _____

Signature of Superintendent: _____

Comments: _____