

Medical Specific and Aggregate Stop Loss Re-Insurance

December 14, 2010

SUMMARY:

This item requests approval of the proposal for Medical Specific and Aggregate Stop Loss Insurance for the 2011 plan year.

PREVIOUS BOARD ACTION:

On December 8, 2009 the Board approved Standard Life & Accident (Arbor Benefits Group) as the stop loss vendor for the District for the 2010 plan year.

BACKGROUND INFORMATION:

The current contract is a one-year contract with the option to renew on an annual basis for a period of three years. In October 2010, the District's health insurance consultant, Eric Smith, began discussions with Arbor Benefits Group, MGU for Standard Life & Accident on their renewal projections. Following conclusion of the discussions, the consultant presented the renewal recommendation to the District on November 19, 2010.

SIGNIFICANT ISSUES

With the changes mandated by the HealthCare Reform Act and the uncertainties that future changes may have on the reinsurance market, the carriers are quoting increases nearing or exceeding double digits. Also, claims experience shows indications of rising and that has an impact on rate structure. Due to these factors, we are recommending a renewal with Standard Life & Accident and acceptance of their rate increase. Acceptance of their rate proposal would result in an overall increase in the District's fixed costs of 5.4% from 2010.

FISCAL IMPLICATIONS:

The recommended individual specific level and proposed renewal rates for Denton ISD are as follows:
Standard Life & Accident (Arbor Benefits Group)
Specific and Aggregate Stop Loss Rates:

	Current	Proposed	Change
Individual Stop Loss	\$ 32.80	\$ 35.84	(.09%)
Aggregate Stop Loss	\$ 1.58	\$ 1.58	(.00%)
Attachment Factor	\$ 579.19	\$ 606.73	(.05%)
Individual Specific	\$175,000	\$175,000	N/A

The overall increase to the District's fixed costs would be 5.4% over the 2010 rates. 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, Standard Life & Accident (Arbor Benefits Group) will be the stop loss vendor for 2011 and the new rates will be effective January 1, 2011.

ALTERNATIVES:

Going out to bid in a formal RFP process would undeniably result in a higher rate increase.

SUPERINTENDENT'S RECOMMENDATION:

Recommend approval of Standard Life & Accident (Arbor Benefits Group) as the re-insurance vendor for the 2011 calendar year.

STAFF PERSONS RESPONSIBLE:

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

ATTACHMENT:

Recommendation letter from Eric Smith of Smith and Associates Consulting

APPROVAL:

Signature of Staff Member Proposing Recommendation: _____

Comments: _____

Signature of Divisional Leader: _____

Comments: _____

Signature of Superintendent: _____

Comments: _____