

Medical Specific and Aggregate Stop Loss Re-Insurance

December 8, 2009

SUMMARY:

This item requests approval of the proposal for Medical Specific and Aggregate Stop Loss Insurance for the 2010 plan year.

PREVIOUS BOARD ACTION:

On December 9, 2008 the Board approved United HealthCare as the stop loss vendor for the District for the 2009 plan year.

BACKGROUND INFORMATION:

The current contract is a one-year contract with the option to renew on an annual basis. In October 2009, the staff sent out a Request for Proposals and received three responses with four options for a \$175,000 specific individual stop loss level. This recommendation is based on continuing with a \$175,000 specific individual stop loss level.

SIGNIFICANT ISSUES

Denton ISD has had an individual specific and aggregate stop loss re-insurance policy with United HealthCare since 2003. This has served the District well as United HealthCare has rapidly reimbursed the District on all re-insurance claims. The past decisions to remain with United HealthCare have been based primarily on two factors. First, there have been several claims exceeding the stop-loss level in the past few years and United HealthCare has rapidly reimbursed funds due the District. Second, United HealthCare's rates have always been competitive.

Some of the risks associated with changing stop loss vendors include late claim submissions, incorrectly paid medical claims, a risk of claim denial and a longer period for reimbursements. Although the assumptions of these risks are a concern to the staff, the higher rates that United HealthCare has quoted are difficult to support.

In evaluation of the proposals and subsequent qualification data, the selection of United HealthCare will mean an additional increase in premium of \$306,478 to the HealthCare Trust. The ING quote would realize an increase of \$105,580 in premiums to the HealthCare Trust. The least costly, Standard Life & Accident Insurance Company (Arbor Benefits Group) represents an increase of \$104,115 in premiums to the Health Care Trust.

Upon review of our current and potential claims experience, as well as the submitted proposals, we are recommending Standard Life & Accident Insurance Company (Arbor Benefits Group) as the best option for this coverage for the 2010 calendar year.

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	\$ 29.10	\$ 32.80	12.71%
Aggregate Stop Loss	\$ 1.73	\$ 1.58	(8.67%)
Attachment Factor	\$ 540.29	\$ 579.19	7.20%
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, Standard Life & Accident (Arbor Benefits Group) will be the stop loss vendor for 2010 and the new rates will be effective January 1, 2010.

PUBLIC COMMENT RECEIVED:

None

ALTERNATIVES:

Selection of ING or UHC would result in higher premiums being paid from the HealthCare Trust.

SUPERINTENDENT'S RECOMMENDATION:

Recommend approval of Standard Life & Accident (Arbor Benefits Group) as the re-insurance vendor for the 2010 calendar year.

STAFF PERSONS RESPONSIBLE:

Sally Havey, Insurance Coordinator
Debbie Monschke, Executive Director of Administrative Services

ATTACHMENT:

Stop Loss Comparison
Letter from Smith and Associates Consulting

APPROVAL:

Signature of Staff Member Proposing Recommendation: _____

Comments: _____

Signature of Divisional Leader: _____

Comments: _____

Signature of Superintendent: _____

Comments: _____