

San Joaquin Valley Insurance Authority

BOARD OF DIRECTORS

SUSAN B. ANDERSON

JUDITH CASE

MIKE ENNIS

ALLEN ISHIDA

PHIL LARSON

DEBORAH POOCHIGIAN

PETE VANDER POEL

Meeting Location:
Fresno County Employee Retirement
Association Board Chambers
1111 H Street
Fresno, CA 93721
October 7, 2011
9:00 AM

AGENDA DATE: October 7, 2011

ITEM NUMBER: 9

SUBJECT: Report on Updated HM Life Specific and Aggregate Stop Loss Rates and Authorize Staff to Execute 2012 Policy

REQUEST(S): That the Board:

1. Receive and file the updated HM Life Specific and Aggregate Stop Loss Rates
2. Authorize Staff to Execute the 2012 HM Life Policy

DESCRIPTION:

The SJVIA provides self-funded PPO medical benefit plans to member agencies. To protect the SJVIA and the underlying member agencies from both higher than expected claims utilization and large individual medical claims, the SJVIA purchases both aggregate and specific stop-loss insurance.

The SJVIA has contracted with HM Life as the vendor to provide both the Aggregate and Specific stop-loss insurance coverage since its inception in 2010. HM Life is an "A-" rated carrier who has completed the necessary steps to be an approved stop-loss carrier by Gallagher Benefit Services' security committee.

The 2012 Baseline Renewal that your Board approved at the August 26th meeting included adequate funding for these cost components, which were not finalized at that time. At the time of the approval of the final 2012 rates for the SJVIA, HM had reviewed 7 months of claims data for the 2011 plan year and typically requires 9 months of data to finalize and "lock" the rates for the upcoming plan year. HM Life has agreed to make an exception to finalize the 2012 rates with 8 months of data – through August. A change in these rate components from the initial renewal rate will not have an effect on the approved final rates for the 2012 year, as the cost of the stop loss insurance is a very small component of the overall SJVIA budget.

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Details on these two stop-loss coverage are provided below.

Aggregate Stop-Loss

The aggregate stop-loss is designed to provide insurance protection when the annual aggregate, or total annual claims paid under the contract, (less any claims paid in excess of the \$450,000 specific stop-loss deductible during the contract period), exceed the annual aggregate attachment point.

The annual aggregate attachment point is determined by multiplying each month's PPO plan enrollment by the aggregate attachment factors and accumulating these totals for the contract period. The estimated maximum claims liability under the aggregate stop loss for the 2012 plan year is \$31.4 million.

If the total claims paid under the PPO contract during the contract year, (less claims in excess of the specific stop-loss deductible), exceed the annual aggregate attachment point, HM Life will reimburse the SJVIA for the value of these claims in excess of the annual attachment point. The final calculation and reimbursement, if any, will be made following the end of the contract period.

Aggregate Premium Rate: \$0.83 Composite (Per Employee Per Month)

NOTE: This represents a 3.7% increase from the 2011 Plan Year Aggregate Premium Rates

Aggregate Attachment Factors (Used to calculate the annual attachment point):

\$756.93 Composite (Per Employee Per Month)

NOTE: This represents a 4.7% increase from the 2011 Plan Year Attachment Factors.

Specific Stop-Loss

The specific stop-loss is designed to provide insurance protection when the total claims paid on any one insured (employee or covered dependent) during the contract period exceeds the annual specific stop-loss deductible of \$450,000. This coverage is designed to minimize the overall impact on the plan of catastrophic claims paid on any one insured. The maximum amount paid under the specific stop-loss insurance contract in any contract period is the underlying plan maximum less the specific stop-loss deductible.

If the total claims paid for one individual under the PPO contract during the contract year exceed \$450,000 HM Life will reimburse the SJVIA for the value of these claims in excess of the specific deductible. Reimbursement for these claims will begin once a claim reaches the specific deductible and a claim is filed with HM Life for reimbursement.

\$10.21 Composite (Per Employee Per Month)

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NOTE: This represents a 15% increase from the 2011 Plan Year Specific Premium Rates.

The above rates and factors have been modified upon review of updated data through August 31, 2011. HM Life requires claims through September 30 to finalize and lock the rates for the 2012 plan year. Although there may be slight modification to the presented rates, the change would have no impact to rates adopted at the August 26th Board Meeting.

FISCAL IMPACT/FINANCING:

Based on PPO enrollment of 3,440 employees as of July 1, 2011, the total cost for the HM Life Stop Loss Coverage for Plan Year 2012 is projected to be approximately \$456,000 (assuming constant enrollment). This cost estimate differs from that shown on the budget as it is a calendar year calculation while the budget is based on a fiscal year. This cost represents a 12.42% increase of this component over Plan Year 2011.

ADMINISTRATIVE SIGN-OFF:



Paul Nerland
SJVIA Manager



Jeffrey Cardell
SJVIA Assistant Manager

**BEFORE THE BOARD OF DIRECTORS
SAN JOAQUIN VALLEY INSURANCE
AUTHORITY**

IN THE MATTER OF Final 2012 HM Life Specific and Aggregate Stop Loss Rates

RESOLUTION NO. _____
AGREEMENT NO. _____

UPON MOTION OF DIRECTOR _____, SECONDED BY DIRECTOR _____
_____, THE FOLLOWING WAS ADOPTED BY THE BOARD OF DIRECTORS, AT AN
OFFICIAL MEETING HELD _____, BY THE FOLLOWING VOTE:

AYES:
NOES:
ABSTAIN:
ABSENT:

ATTEST:

BY: _____

* * * * *

That the Board received and filed the final 2012 HM Life Specific and Aggregate Stop Loss Rates