



11/10/2015

Tammie Hechler
Director of Human Resources
City of Hollywood
2600 Hollywood Blvd., Suite 206
Hollywood, FL 33022-9045

RE: Recommendation for 2016 Specific & Aggregate Stop Loss Insurance Renewal Coverage

Dear Mrs. Hechler,

We have completed our market solicitation, review and final analysis of the renewal options for the 2016 stop loss insurance coverage on behalf of the City's self-funded medical plan. After review of claims through 9/30/2015 and further negotiations with Florida Blue/HM insurance (HM) they have provided a firm renewal. Final terms were nearly flat with a slight increase in annual premium (fixed cost) of \$760.00 (less than 1%). Due to recent claims experience and future medical trend the maximum aggregate claims liability factors (variable costs) increased by 12.3%. The attached analysis reflects the contract basis, premium rates and aggregate claim factors for the current \$350,000 specific deductible and an option for \$375,000. In addition to your renewal offer from HM Insurance, we received quotes from five other markets with only one carrier declining to quote. Although a few of these markets offered proposals with slightly less premium and/or claims liability, there are several advantages to be aware of in renewing the stop loss insurance coverage with HM as follows:

- HM's renewal quote is firm no disclosure or updated claims required. All other quotes received will require full disclosure and be subject to higher deductible amounts (lasers) being placed on certain claimants with potential high claims based on their diagnosis and future treatment. In doing so, any premium savings would likely be eliminated.
- Since this is the captive carrier for Florida Blue they provide simultaneous funding of all claims above the specific deductible level, so the City does not have to pre-fund these claims and wait for reimbursement as would be the case with all the other carriers.
- Because HM and Florida Blue are an integrated system it makes transactions faster, more efficient as claims can be processed, applied to appropriate stop-loss insurance, paid, categorized and reported quickly by the connected systems. There is no information being passed between different systems/companies, which allows for a more streamlined process.
- If a different carrier is chosen confirmation on who/how stop loss insurance claims will be filed and reported will need to be established as Florida Blue will not file stop loss claims with a non-captive carrier. Ascension can provide the additional claim filing and reporting, however there would be an additional fee of \$1,250.00/per month or \$15,000/annual to provide these services. Again, this would be offset against any premium savings offered by the other markets.

- A final advantage of HM is that their policy will renew on a 48/12 contract basis, while the other carriers will be 24/12. Not a major advantage, but does provide broader coverage.

Final negotiated terms from HM resulted in a reduction in the initial renewal from an increase of 21% to less than 1% for the total specific and aggregate reinsurance premium while the aggregate claim liability factors remained as initially quoted. Our recommendation based on the final terms received and the advantages noted above is for the City to renew their stop loss insurance coverage with Florida Blue/HM Insurance for the 2016 plan year.

Respectfully Submitted,



Jim Davis

Executive Vice President – Employee Benefits Brokerage/Consulting

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