

## Tammie L. Hechler

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**From:** Dustin Kuehn <dustin.kuehn@gehringgroup.com>  
**Sent:** Tuesday, October 20, 2020 7:40 PM  
**To:** Tammie L. Hechler  
**Cc:** Cameron Burt; Anna Maria Studley; Mary Ellen Morris  
**Subject:** [EXT]RE: Hollywood - Stop Loss

Sorry just one more important bullet:

- At this point (August) in 2018 the City had 0 over the ISL, 2019 there was 1 claimant, and 2020 there is currently 3 claimants over the ISL. The City is trending higher which is why we did not decide to increase the ISL to \$400,000 (savings vs. exposure).

**From:** Dustin Kuehn <dustin.kuehn@gehringgroup.com>  
**Sent:** Tuesday, October 20, 2020 7:37 PM  
**To:** Tammie L. Hechler <THECHLER@hollywoodfl.org>  
**Cc:** Cameron Burt <cameron.burt@gehringgroup.com>; Anna Maria Studley <annamaria.studley@gehringgroup.com>; Mary Ellen Morris <maryellen.morris@gehringgroup.com>  
**Subject:** Hollywood - Stop Loss

Tammie,

Per our conversation this afternoon, I wanted to give you some bulleted items (sorry for the long winded email!):

- I have requested stop loss alternatives from Cigna (\$750k and \$1 million ISL) and they advised they should have a quote to us by Thursday.
- As you know, we put together a projection for your medical premiums which includes the different components of your plan. Here is a break down of the % make up of each component:
  - Administrative fees: 3%
  - Stop Loss Fees: 4%
  - Claims: 94%

In our projection, we included the increase in the stop loss fees for the 2021 calendar year. Even with this increase, the projection resulted in a 0% increase in funding needed due to the sufficient levels of premiums. Essentially, the increase in stop loss premium is absorbed by the claims savings. It's important to look at stop loss not in a silo but in the overall cost of the program. With that being said, we appreciate the City's desire to explore additional stop loss options.

- Historical Stop Loss Reimbursements vs. Premiums:

Year	Total Reimbursements	Total Stop Loss Premium	Dif
2014	\$299,582	\$871,018	\$5
2015	\$327,754	\$894,849	\$5
2016	\$383,877	\$920,670	\$5
2017 (Transition to Cigna)	\$5,264	\$947,531	\$9
2018	\$176,369	\$1,059,913	\$8

2019	\$101,570	\$1,144,833	\$1,043,
2020 (YTD - August)	\$70,100	\$915,467	\$845,3

- Based on historical claims, the City has paid more than they have received in reimbursements.
- However, its important to note that health care changes greatly year to year and medical / Rx costs continue to escalate. Stop Loss premiums increase year-to-year due to this and the threat that the City can incur a bad year of large claims. We often use the example of an employee with premature triplets costing \$3 million in claims. It is also not uncommon that we will start to see \$800,000 + Prescriptions for specialty medications and gene therapy.
- When it comes to stop loss, it's an **appetite for risk conversation**. There is no crystal ball so we have to do our best to choose the best protection based on historic claims as well as future trends.
- We would not recommend removing stop loss protection all together as the City is not a big enough entity to do so. We will, however, look at the premium savings of increasing the individual threshold. In this scenario we would recommend the following:
  - Setting up a stop loss reserve fund and transferring the premium savings into the fund.
  - Each year due to inflation, increase that fund with inflation.
  - On a monthly basis we will provide the stop loss analysis as we do now using an ISL of \$350,000 so the City can then transfer an overages from the stop loss fund into the health fund (or do on a quarterly, yearly basis).

With this approach, if the City had mechanisms in place to protect the savings, it's a viable option (pay later vs. pay now).

I have a board meeting tomorrow morning from 9-12 and another meeting from 2-3 however I can check emails in the morning to discuss further. I have kept AMS in the loop in case this gets removed from tomorrow's agenda.

Thanks,



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