



City of Seguin PY 2023 Health Plan Renewal

October 2022 Council Presentation
Plan Year January 1, 2023
Bob Treacy, Gallagher LHIC

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Underwriting Memorandum

- The City experienced challenging Loss Claim Ratios (LCR) over the past five (5) plan year cycles going back to Plan Year (PY) 2017. (See Slide # 5)
- Mature PAID claims LCRs need to be in the 70% realm to cover the added cost of retention and trend. The City has been trending in the 80%-115% trend over these (5) recent PY timelines
- We have discussed over recent renewal periods, the need to reset/budget for premium cost increase to, in a way...rehabilitate our LCR, due to lower than marketplace premium benchmarks after years of flat/static premium renewals. Our team aggressively pursued the bottom premium price via RFPs each year.



Underwriting Memorandum

- To that end, we are beginning to see the City LCRs begin to align with a healthy margin for negotiating lower renewal adjustment (See Slide # 5)
- We are pleased to deliver a flat **NO** increase medical/RX renewal from BCBSTX for PY 2023.
- Even with the turbulent increase the City has experiences over the past three (3) premium rating renewal periods, the City still enjoys an extremely competitive benchmark premium PEPM unit cost with average increases of **ONLY 3.3%** /year since PY 2014
- The Dental ASO for the self-funded dental plan remains level at \$4.30 PEPM and the Life/ADD premium rate has a slight increase from current \$0.153/1000 to \$.165/1000



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Historical Reference



Medical/RX Claims / Premium

<u>PLAN YEAR</u>	<u>CLAIMS</u>	<u>PREMIUM</u>	<u>LCR</u>
• 2016	\$470	\$650	72%
• 2017	\$584	\$685	85%
• 2018	\$595	\$641	93%
• 2019	\$751	\$652	1.15% (>100% LCR)
• 2020	\$616	\$750	82%
• 2021	\$664	\$819	81%
• 2022	\$620	\$866	72%

NET-ISL (Claimants >165K removed)

Additional Retention Costs of 25% + Trend **NOT** Included

PY 2022 data through July 2022



Historical Premium Renewals

Plan Year	Carrier	Renewal	Plan Changes
2014	BCBS TX	-1%	\$1000 / 20% / \$3000
2015	BCBS TX	No Increase	No Change
2016	Aetna	No Increase	No Change
2017	Aetna	5.2%	No Change
2018	UHC	-6.8%	No Change
2019	UHC	1.7%	\$1500 / 20% / \$4000
2020	BCBS TX	15%	No Change
2021	BCBS TX	5.7%	No Change
2022	BCBS TX	9.0%	No Change
2023	BCBS TX	No Increase	No Change

- Average Annual Increase over (9) renewal periods: **3.3%**
- ACA benefit value remains at a **GOLD** standard rated plan



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Renewals



Medical/Rx Analysis

Carrier	BCBS TX	BCBS TX	
Individual Annual Deductible	\$1,500	\$1,500	
Family Annual Deductible	\$3,000	\$3,000	
Co-insurance	20%	20%	
Individual Out of Pocket Maximum	\$4,000	\$4,000	
Family Out of Pocket Maximum	\$8,000	\$8,000	
PCP Visit Copay	\$25	\$25	
Specialist Visit Copay	\$50	\$50	
TeleHealth Copay	\$25	\$25	
Routine Lab/Imaging			
• Billed by Physician	No Charge	No Charge	
• Free Standing	No Charge	No Charge	
• Out Patient Hospital Facility	No Charge	No Charge	
Emergency Room			
• Facility	500	500	
• Physician	20% After Deductible	20% After Deductible	
• Urgent Care Copay	\$75	\$75	
RX			
• Copays	\$10 / \$35/ \$70	\$10 / \$35/ \$70	
• Mail Order	2.5 X	2.5 X	
Generic Push/Step Therapy/Prior Auth	Yes	Yes	
Rates	PPO	Current	Renewal
Employee	268	\$615.75	\$615.75
Employee + Spouse	16	\$1,385.43	\$1,385.43
Employee + Child(ren)	75	\$1,169.92	\$1,169.92
Employee + Family	46	\$1,699.48	\$1,699.48
Monthly Cost		\$353,107.96	\$353,107.96
Annual Cost		\$4,237,295.52	\$4,237,295.52
Change from Current		N/A	0%



Self Funded ASO Dental Fee / Claim Projection

Carrier	BCBS TX		
Calendar Year Max	\$1,500 per person		
CY Deductible	\$50 Ind / \$150 Fam		
Ortho Life Max	\$1,500		
Preventive Services	100% Deductible Waived		
Basic Services	80% After Deductible		
Major Services	50% After Deductible		
Orthodontia (Child - up to age 19)	50% Deductible Waived		
Endo & Perio	Basic Services		
Oral Surgery	Basic Services		
	Out of Network		
	90th Percentile		
R & C			
Rates	EEs	Current	Renewal
ASO Fee PEPM	405	\$4.30	\$4.30
Projected Claim Value		\$42.82	\$49.44
TOTAL Projected COST		\$47.12	\$53.74
Monthly Cost		\$19,083.60	\$21,764.70
Annual Cost		\$229,003.20	\$261,176.40
Change from Current		14.05%	
Rate Guarantee Until		01/01/24	



Base Life/AD&D

Carrier	BCBS TX	
Employee Benefit	Flat \$25,000	
Benefit Maximum	\$25,000	
Accelerated Death Benefit	50% of Applicable Benefit	
Waiver of Premium	Included	
Portability	None	
Conversion	Included	
	Age Reductions	
Age 65	35%	35%
Age 70	50%	50%
Rates	Current	Renewal
Life Rate Per \$1000	\$0.123	\$0.135
AD&D Rate Per \$1000	\$0.030	\$0.030
Total Rate Per \$1000	\$0.153	\$0.165
Est. Monthly Volume	\$8,867,500	\$8,867,500
Est. Monthly Cost	\$1,356.73	\$1,463.14
Est. Annual Cost	\$16,280.73	\$17,557.65
Change from Current	8%	
Rate Guarantee Until	1/1/2024	

Re-negotiating PY 2023 renewal anticipated first week of October



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Compensation, AM Best & Disclosures



Compensation - Health

A.M. Best Ratings & Compensation – Health & Life

While GBS does not guarantee the financial viability of any health insurance carrier or market, it is an area we recommend that clients closely scrutinize when selecting a health insurance carrier or HMO. There are a number of rating agencies that can be referred to including, A.M. Best, Fitch, Moody’s Standard & Poors and Weiss Ratings (TheStreet.com). Generally, agencies that provide ratings of U.S. Health Insurers, including traditional insurance companies and other managed care (e.g. HMO) organizations, reflects their opinion based on a comprehensive quantitative and qualitative evaluation of a company’s financial strength, operating performance and market profile. However, these ratings are not a warranty of an insurer’s current or future ability to meet its contractual obligations.

Carrier	Quote Status	Commission/Supplemental Compensation
Medical, Rx		
BCBS of TX	Incumbent/Renewal	0% / \$0.00 to \$15.00 PEPY
Dental		
BCBS of TX	Incumbent/Renewal	0% / 0%

Carrier	Status	Commission/Supplemental Compensation	AM Best Rating
Life/AD&D			
Dearborn National	Incumbent/Renewal	0% / 0% to 7% Annualized Premium	A/XV



AM Best Ratings – Non-Health

A.M. Best Ratings & Compensation - Health

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Level	Category	Level	Category
A++, A+	Superior	C, C-	Weak
A, A-	Excellent	D	Poor
B++, B+	Good	E	Under Regulatory Supervision
B, B-	Fair	F	In Liquidation
C++, C+	Marginal	S	Rating Suspended

Financial Size Categories			
FSC I	Up to 1,000	FSC IX	250,000 to 500,000
FSC II	1,000 to 2,000	FSC X	500,000 to 750,000
FSC III	2,000 to 5,000	FSC XI	750,000 to 1,000,000
FSC IV	5,000 to 10,000	FSC XII	1,000,000 to 1,250,000
FSC V	10,000 to 25,000	FSC XIII	1,250,000 to 1,500,000
FSC VI	25,000 to 50,000	FSC XIV	1,500,000 to 2,000,000
FSC VI	50,000 to 100,000	FSC XV	2,000,000 or more
FSC VIII	100,000 to 250,000		

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Disclosures

The intent of this analysis is to provide you with general information regarding the status of, and/or potential concerns related to your current employee benefits environment. It does not necessarily fully address all of your specific issues. It should not be construed as, nor is it intended to provide legal advice. Questions regarding specific issues should be addressed by your general counsel or an attorney who specializes in this practice area.

This analysis is for illustrative purposes and is not a guarantee of future expenses, claims, costs, managed care savings, etc. There are many variables that can affect future health care costs including utilization patterns, catastrophic claims, changes in plan design, health care trend increases, etc. This analysis does not amend, extend, or alter the coverage provided by the actual insurance policies and contracts. Please see your policy or contact us for specific information for further details in this regard.

Network discount analysis is based on a representative basket of 'goods and services' an employer's health plan(s) could expect to see over the course of a year. It is in no way intended to imply a direct correlation to an employer's actual claim experience. This analysis is designed to approximate a differential in reimbursement rates among various networks in order to assess efficiency and does not in any way represent a guarantee of savings.

This proposal is an outline of the coverage proposed by the carrier(s), based on information provided by your company. It does not include all of the terms, coverages, exclusions, limitations, and conditions of the actual contract language. The policies and contracts themselves must be read for those details. Policy forms for your reference will be made available upon request.

This analysis contains a financial cost summary and an outline of key policy provisions. Although cost is an important factor in placing coverage with a stop loss carrier, key policy provisions are also critical to the selection process and they may represent additional financial liability. For example, a stop loss policy that supersedes a client's plan document language could have a negative financial impact on the Plan. Although most stop loss carriers will agree to cover medically necessary and generally accepted practices and procedures, there may be other limitations which should be considered prior to policy acceptance.

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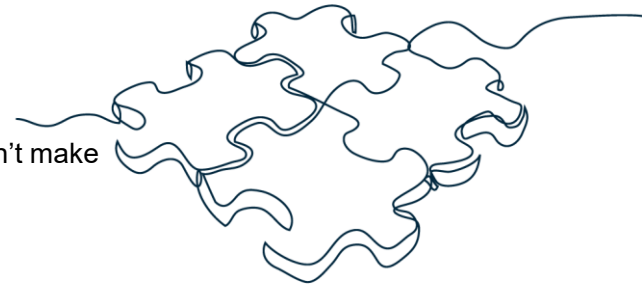
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The Gallagher Way

1. We are a Sales and Marketing Company dedicated to providing excellence in Risk Management Services to our clients.
2. We support one another. We believe in one another. We acknowledge and respect the ability of one another.
3. We push for professional excellence.
4. We can all improve and learn from one another.
5. There are no second-class Citizens – everyone is important and everyone's job is important.
6. We're an open society.
7. Empathy for the other person is not a weakness.
8. Suspicion breeds more suspicion, To trust and be trusted is vital.
9. Leaders need followers. How leaders treat followers has a direct impact on the effectiveness of the leader.
10. Interpersonal business relationships should be built.
11. We all need one another, We are all cogs in a wheel.
12. No department or person is an island.
13. Professional courtesy is expected.
14. Never ask someone to do something you wouldn't do yourself.
15. I consider myself support for our Sales and Marketing. We can't make things happen without each other. We are a team.
16. Loyalty and respect are earned – not dictated.
17. Fear is a turnoff.
18. People skills are very important at Arthur J. Gallagher.
19. We're a very competitive and aggressive Company.
20. We run to problems – not away from them.
21. We adhere to the highest standards of moral and ethical behavior.
22. People work harder and are more effective when they're turned on – not turned off.
23. We are a warm, close Company. This is a strength – not a weakness.
24. We must continue building a professional Company – together – as a team.
25. Shared values can be altered with circumstances – but carefully and with tact and consideration for one another's needs

When accepted Shared Values are changed or challenged, the emotional impact and negative feelings can damage the Company.

- Robert E. Gallagher
May 1984



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Thank You!

Consultant: Bob Treacy, LHIC

Account Manager: Sara Davis



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