



City of Seguin 2022 Health Plan Renewal

Bob Treacy, LHIC | September 2021

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Underwriting Memorandum

- The City has seen a significant claim (**Slide # 6**) in its NET (plan members under a \$165,000 ISL) claims PEPM over the recent PY 2019, PY 2020 and current 2021 experience periods, impacting both the current PY 2021 plan performance and upcoming PY 2022 renewal
- [PY 2019](#) claims spiked 26% @ \$751 PEPM resulting in the **first >100%** LCR plan year in recent claim tracking models
- [PY 2020](#) experienced a decrease/reduction in NET claims PEPM during Q2/Q3 - 2020 which could very well be attributed to efforts by state and local governments to encourage providers to **delay** discretionary test, visits, and procedures to preserve capacity and supplies for the anticipated volume of COVID 19 patients. Healthcare claims entered a V-curve drop over this time period. The plan year still settled in above previous trends @ \$616 PEPM



Underwriting Memorandum

- PY 2021 continues our actuary and underwriting team discussions/observations that health plans in general are experiencing a likely ***upward trajectory or V-curve claims trend beginning in Q4-2020 and into the current Q1/Q2-2021*** cycle, as these elective procedures begin to be scheduled into the remainder of this year. This impact from increased discretionary surgical procedures resulted in this wonky increasing trajectory in claims @ \$694 PEPM which is having have a load impact into projection models for PY 2022.



Underwriting Memorandum

- Large claimants > \$50,000 represent (1%) of paid (37%) claims over the past two (2) full claim cycles, driving this increased trajectory since PY 2020.
- These claim/underwriting variables discussed above are causing chaos/disruption in sound underwriting disciplines and slanting renewals more towards manual rating formulas.
- BCBSTX has delivered an extremely strong **9%** premium rate increase for the PY 2022 renewal. The City average increase has been **3.2% (Slide # 8)**. The City continues to outperform municipalities around the Guadalupe County area for benchmark studies. The City continues to provide a GOLD standard ACA benefit plan.



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Historical Reference



Medical/RX PEPM Plan Premium/Claim Balance

PY	CLAIMS	PREMIUM	LCR
• 2016	\$470	\$650	72%
• 2017	\$584	\$685	85%
• 2018	\$595	\$641	93%
• 2019	\$751	\$652	1.15% (>100% LCR)
• 2020	\$616	\$750	82%
• 2021(R12)	\$694	\$792	88%

NET-ISL (Claimants >165K removed)

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

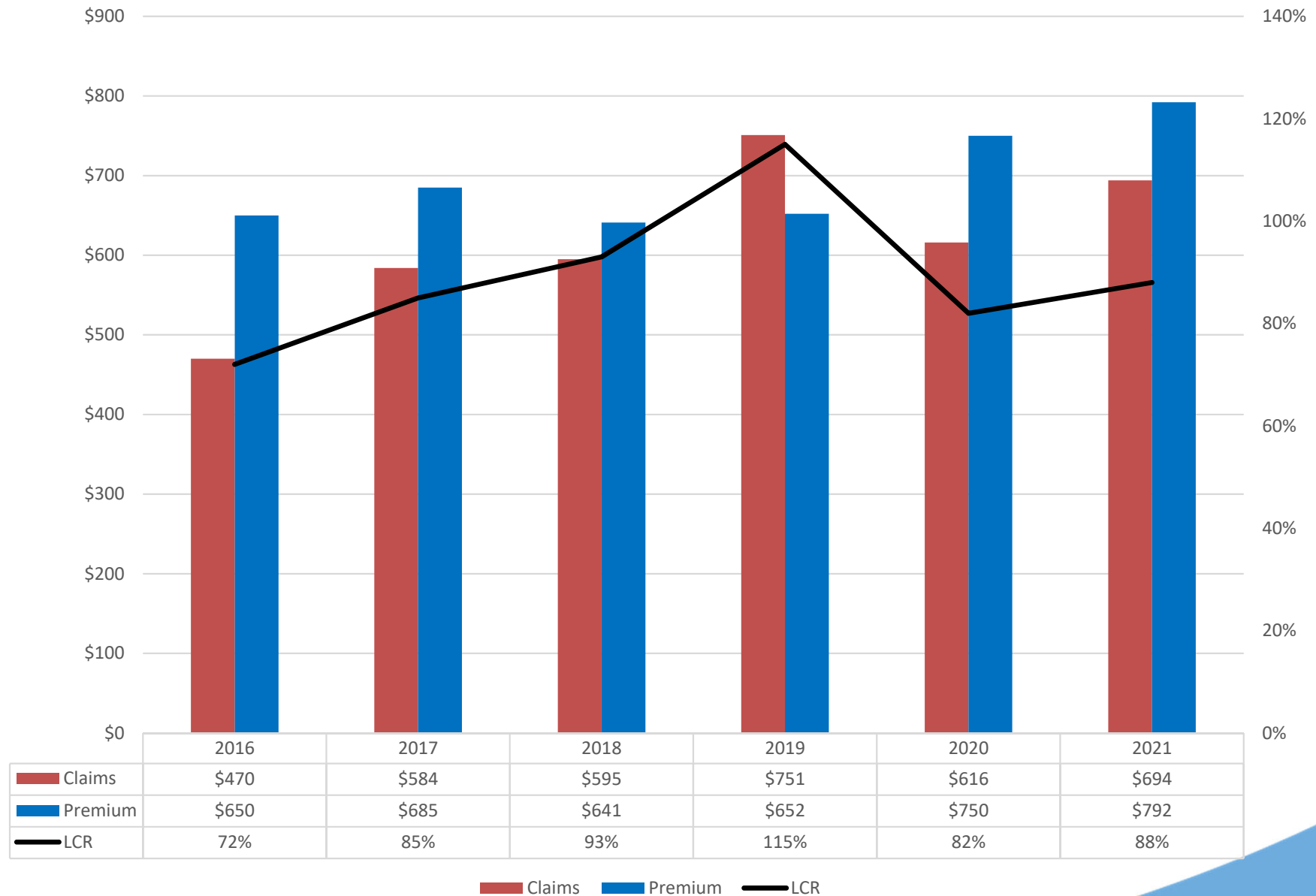
PY 2020 Renewal BCBSTX was first RFP market adjustment @ 15%



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PEPM Plan Premium/Claim Balance





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

Average Annual Increase over 9 renewal periods: **3.2%**

The Plan Year 2022 renewal plan premium rates at **GOLD** Standard Plan under PPACA guidelines



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Renewals



Medical Analysis

Plan Name		Current	Renewal	Negotiated Renewal
Individual Annual Deductible		\$1,500	\$1,500	\$1,500
Family Annual Deductible		\$3,000	\$3,000	\$3,000
Co-insurance		20%	20%	20%
Individual Out of Pocket Maximum		\$4,000	\$4,000	\$4,000
Family Out of Pocket Maximum		\$8,000	\$8,000	\$8,000
PCP Visit Copay		\$25	\$25	\$25
Specialist Visit Copay		\$50	\$50	\$50
TeleHealth Copay		\$25	\$25	\$25
Routine Lab/Imaging				
• Billed by Physician		No Charge	No Charge	No Charge
• Free Standing		No Charge	No Charge	No Charge
• Out Patient Hospital Facility		No Charge	No Charge	No Charge
Emergency Room				
• Facility		500	500	500
• Physician		20% After Deductible	20% After Deductible	20% After Deductible
• Urgent Care Copay		\$75	\$75	\$75
RX				
• Copays		\$10 / \$35/ \$70	\$10 / \$35/ \$70	\$10 / \$35/ \$70
• Mail Order		2.5 X	2.5 X	2.5 X
Generic Push/Step Therapy/Prior Auth		Yes	Yes	Yes
Rates	PPO	Current	Renewal	Negotiated Renewal
Employee	254	\$564.91	\$662.64	\$615.75
Employee + Spouse	16	\$1,271.04	\$1,490.93	\$1,385.43
Employee + Child(ren)	80	\$1,073.32	\$1,259.00	\$1,169.92
Employee + Family	46	\$1,559.16	\$1,828.89	\$1,699.48
Monthly Cost		\$321,410.74	\$377,014.38	\$350,337.06
Annual Cost		\$3,856,928.88	\$4,524,172.56	\$4,204,044.72
Change from Current		N/A	17.3%	9.0%



Self Funded ASO Dental Fee

Carrier		BCBS - ASO Dental	
Plan Name		Dental	
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	
R & C		90th Percentile	
Rates	EEs	Current	Renewal
ASO Fee PEPM	394	\$4.30	\$4.30
Projected Claim Value		\$41.75	\$42.82
TOTAL Projected COST		\$46.05	\$47.12
Monthly Cost		\$18,143.70	\$18,565.28
Annual Cost		\$217,724.40	\$222,783.36
Change from Current		2.32%	
Rate Guarantee Until		01/01/23	



Base Life/AD&D

Carrier	BCBS Current	
Class 1	Employees working 30 hours week	
Employee Benefit	Flat \$25,000	
Benefit Maximum	\$25,000	
Guarantee Issue Limit	\$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	\$0.123
AD&D Rate Per \$1000	\$0.030	\$0.030
Total Rate Per \$1000	\$0.153	\$0.153
Est. Monthly Volume	\$8,867,500	\$8,867,500
Est. Monthly Cost	\$1,356.73	\$1,356.73
Est. Annual Cost	\$16,280.73	\$16,280.73
Change from Current	0.00%	
Rate Guarantee Until	1/1/2022	

Waiting on 2022 Renewal
Anticipated first week of Oct



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Compensation, AM Best & Disclosures



Compensation - Health

A.M. Best Ratings & Compensation - Health

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



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Compensation - Non-Health

A.M. Best Ratings & Compensation – Non-Health

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

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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 VII	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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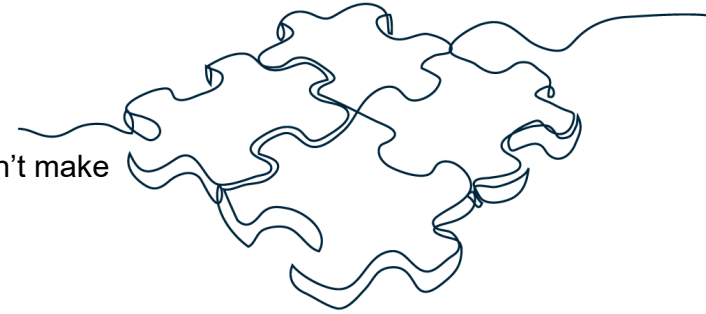
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1. We are a Sales and Marketing Company dedicated to providing excellence in Risk Management Services to our clients.
2. We support one another. We believe in one another. We acknowledge and respect the ability of one another.
3. We push for professional 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!

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