

DRAFT

Stop Loss Procurement Results and Analysis

Prepared for Polk County

November 19, 2024

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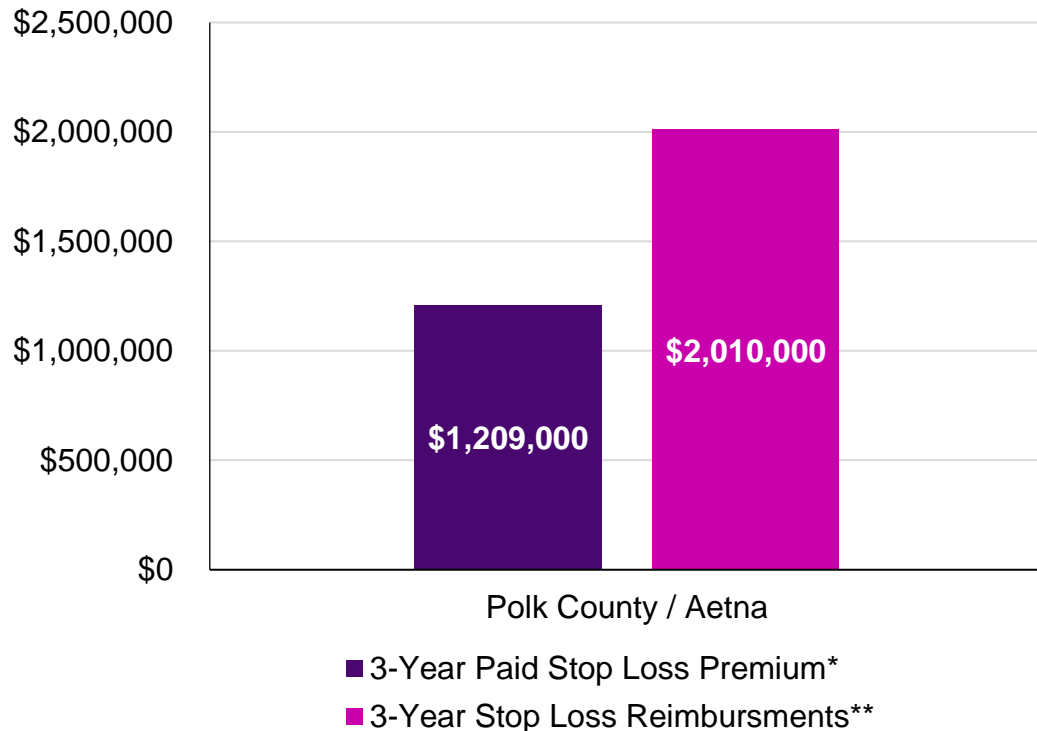
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Summary

Polk County Recent Stop Loss Experience



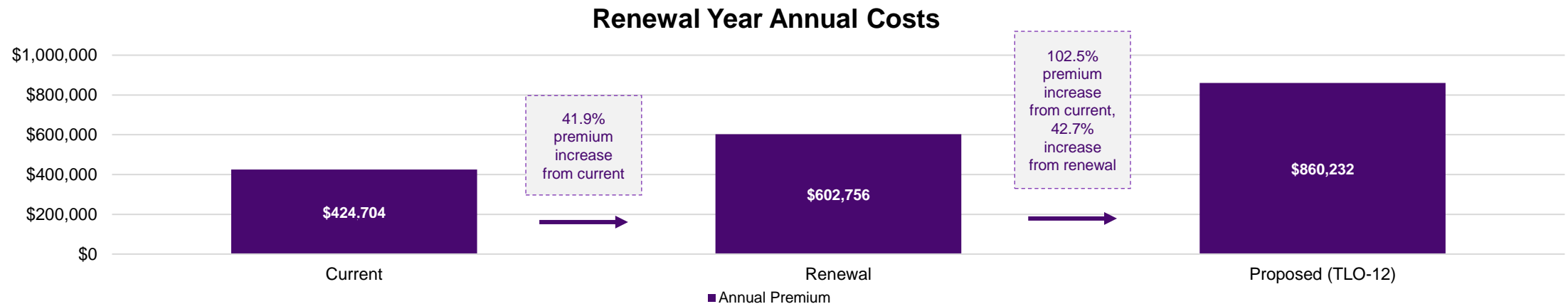
- Due to a \$3.0M claimant in 2024, Polk County received \$2.0M in stop loss reimbursements in 2024
- When looking at a 3-year loss ratio, Polk County has a **166%** loss ratio for stop loss
- Stop loss has historically been very a profitable business to insurers
 - Typical loss ratios are 75% – 85%
 - Stop loss premium trends are normally 20% – 25%
- Over the long term, employers will pay more in premium than they will get reimbursed in claims
 - In two to three years out of ten, claims will exceed premium
 - In seven to eight years out of ten, premium will exceed claims

*Based on Polk County Health Fund 2022-2024 Fiscal years

**Based on large claimant data provided by Aetna

Procurement Summary

Current	Renewal and RFP
<ul style="list-style-type: none"> Polk County purchases stop loss from Aetna with a \$1,000,000 deductible Contract covers all months of incurred run-in in addition to the policy year No members are lasered on the policy Current premium is \$8.11 PEPM 	<ul style="list-style-type: none"> Aetna has provided a renewal of 41.9% for a rate of \$11.51 PEPM <ul style="list-style-type: none"> An increase of 50% was assumed for WTW's pricing of 2025 plan costs WTW procured bids from its Stop Loss Collaborative (SLC) partners at the current terms as well as with options to add terminal liability. Optum, QBE, Sun Life, Symetra, and Voya declined to quote (DTQ) due to pricing being uncompetitive. HM provided an illustrative quote but could not firm due to the existing \$1M claimant



Results

- Aetna's proposal is the best financial offer at the current deductible level, with a 41.9% renewal increase
- Terminal Liability Option (TLO) can extend the stop loss coverage for an additional run-out period for claims to be paid. TLO-3 includes additional 2 months premium, TLO-6 includes additional 3 months premium, TLO-12 includes additional 4 months premium
- Based on total enrollment of 4,364

Coverage Terms and Provisions

Contract basis examples

- The below chart compares stop loss contracts
- Examples
 - Paid contract covers all months of run-in
 - 24/12 contract covers 12-months of run-in
 - Paid contract is actuarially equivalent to a 24/12 contract

Basis	Year →	Run-In Year												Policy Year											
	Month →	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
24/12	Incurring in 24...																								
	...and paid in 12																								
18/12	Incurring in 18...																								
	...and paid in 12																								
15/12	Incurring in 15...																								
	...and paid in 12																								
Basis	Year →	Policy Year												Run-Out Year											
	Month →	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
12/15	Incurring in 12...																								
	...and paid in 15																								

Coverage Terms and Provisions

Contract basis

- There are many different contract basis
- Below are the most common contract bases negotiated with Stop Loss Collaborative partners
- These basis are listed in order from most comprehensive coverage to least comprehensive coverage

Basis	Description	Incurred Period Covered Example ¹	Paid Period Covered Example ¹	Claims Not Covered Example ¹
Paid	Covers all claims in a year, regardless of when the claim is incurred. Generally available on renewal but not year one of a contract.	Any date	<ul style="list-style-type: none"> • 12 months • 01/01/2025 to 12/31/2025 	None; all claims covered. ²
24/12	Covers all claims paid in a year that are incurred that year or within the prior 12 months.	<ul style="list-style-type: none"> • 24 months • 01/01/2024 to 12/31/2025 	<ul style="list-style-type: none"> • 12 months • 01/01/2025 to 12/31/2025 	Incurred prior to the 24-month period, or before 01/01/2024. ²
18/12	Covers all claims paid in a year that are incurred that year or within the prior six months.	<ul style="list-style-type: none"> • 18 months • 07/01/2024 to 12/31/2025 	<ul style="list-style-type: none"> • 12 months • 01/01/2025 to 12/31/2025 	Incurred prior to the 18-month period, or prior to 07/01/2024. ²
12/15	Covers all claims incurred in that year if they are paid within three months after year-end.	<ul style="list-style-type: none"> • 12 months • 01/01/2025 to 12/31/2025 	<ul style="list-style-type: none"> • 15 months • 01/01/2025 to 03/31/2026 	Incurred prior to the 12-month period, or prior to 01/01/2025.

¹ Example assumes a 2025 contract year. ² Technically, claims paid after 12/31/25 are not covered unless the contract renews, which is generally the case.

Stop Loss Market Update

Market continues to grow, as large claims continue to increase in both frequency and severity, adding budget variability and driving health care cost for our clients

Carrier Environment

- Overall significant and ongoing claim activity and true large catastrophic claims are on the rise; therefore, the risk margin attached to these dwindles
- Over the benefit years from 2019-2022, 87% of employers were likely to experience a stop loss claim in any given year²
- Presence of at least one known lasered claimant has increased

HCC Frequency

- Rising occurrence and threat of claimants of \$1M+ continues to pressure claims to premium ratios for all underwriters¹
- 25% report a claimant more than \$1M paid in the last 2 policy years, with 7% of those respondents indicating claims more than \$2M¹
- In 2023, notable increase in number of \$3M+ claims compared to 2022, with 32 claims in 2023 versus 18 in 2022, nearly doubling the amount²

Carrier Loss Ratios

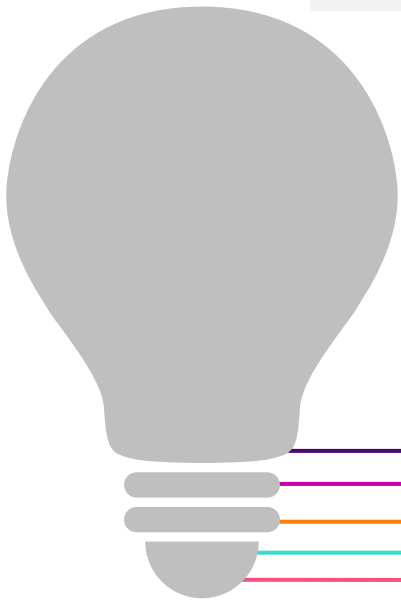
- Million-dollar claims on a per million covered employees basis rose 8% in the past year and 50% over the past four years²
- 15-20% average renewal increases

Raising Concern²

- Newborn/Infant Care high-cost claims continue to rise (with the second highest number of million-dollar+ claims following Malignant Neoplasms)
- Congenital abnormalities (lifelong conditions) have profound impacts and drive high costs, and can contribute to complications late in life

High-cost Conditions²

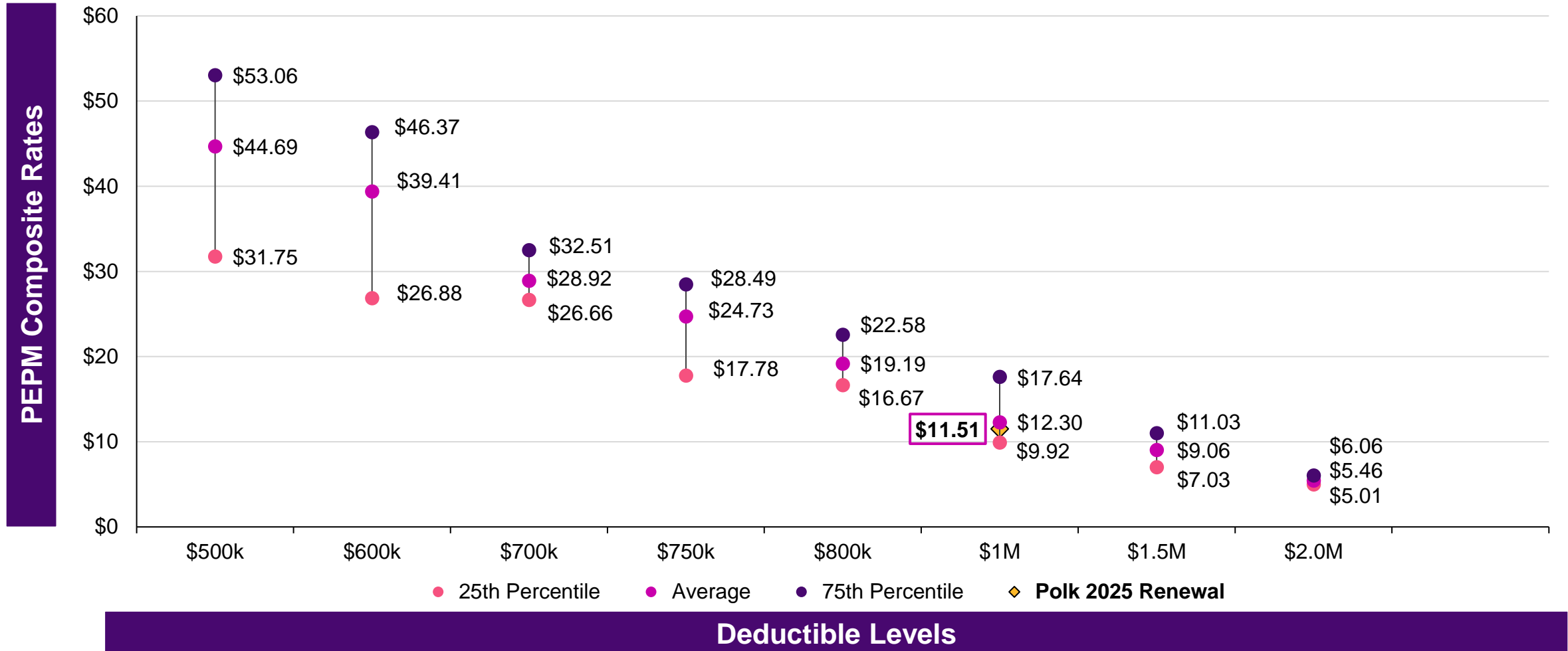
- Cardiovascular disease/disorder became the #2 claim category, behind Malignant Neoplasms, moving Leukemia, Lymphoma and Multiple Myeloma into the #3 spot
- Solid cancers, Malignant Neoplasms, continues to rank in the top spot for both stop loss reimbursements and total spend



¹ Source: 2023 Aegis Risk Medical Stop Loss Premium Survey. ² Source: 2024 Sun Life High-cost Claims and injectable drug trends analysis Report.

Benchmarking

2024 Stop Loss Premium Rates by Deductible Levels



The above chart is based on 2024 data provided by BCS, HM, Optum, QBE, Sun Life, Swiss Re, Symetra and Voya and is based on their full books of business.



Stop loss

CONSIDER:

- Stop loss deductible level is based on an organization’s risk strategy; trading higher fixed costs for lower claim volatility.
- In general, larger organizations are able to manage higher deductible levels and, in some cases, may forgo stop loss entirely.

Stop loss benchmarking – coverage



78% of employers of your size have a specific stop loss policy.
 Most employers of your size elect coverage with a \$301K - \$400K deductible.
 It’s not uncommon to see deductibles between \$250K and \$750K.

		Employer Size								
		< 250 EEs	250 - 499 EEs	500 - 749 EEs	750 - 999 EEs	1,000 - 2,499 EEs	2,500 - 4,999 EEs	5,000 - 7,499 EEs	7,500 - 9,999 EEs	10,000+ EEs
% With Spec Stop Loss										
Deductible Levels	≤\$50K	36.3%	1.8%	0.6%	0.2%	0.3%				
	\$51K - \$75K	27.2%	4.9%	0.6%	0.2%	0.3%				
	\$76K - \$100K	19.4%	19.0%	4.0%	1.7%	0.8%				
	\$101K - \$150K	13.0%	39.5%	26.8%	13.0%	4.2%	0.6%			
	\$151K - \$200K	2.9%	21.9%	33.5%	30.4%	14.0%	0.8%			
	\$201K - \$250K	0.6%	7.1%	17.1%	20.7%	16.3%	4.3%	1.2%		
	\$251K - \$300K	0.3%	3.7%	10.3%	17.6%	25.4%	16.5%	3.0%	0.0%	0.9%
	\$301K - \$400K	0.1%	1.1%	4.0%	11.4%	20.9%	29.1%	15.1%	7.6%	2.7%
	\$401K - \$500K	0.1%	0.5%	1.8%	3.3%	10.6%	20.8%	23.5%	13.6%	7.2%
	\$501K - \$750K	0.1%	0.3%	1.1%	1.2%	5.8%	19.2%	31.3%	39.4%	26.1%
	\$751K - \$1.0M			0.2%	0.2%	1.5%	6.6%	14.5%	22.7%	28.8%
	\$1.1M - \$1.5M	0.0%	0.1%			0.2%	1.0%	10.2%	13.6%	17.1%
\$1.6M - \$2.0M						1.0%	0.6%	3.0%	15.3%	
>\$2.0M							0.6%		1.8%	

Source: 2023 prevalence data was provided by American Fidelity, Berkley, HM, Optum, Partner Re, QBE, Sun Life, Swiss Re, Symetra and Voya and is based on their full book of business. (N=9,828)
 Percent of employers with Stop Loss based on WTW's 2023 Health Care Financial Benchmarks Survey (N=1,690)
 Prevalence data should also only be used as a point of reference. Stop loss deductible thresholds can vary greatly by employer industry and risk tolerance.



Stop loss



CONSIDER:

- The cost of your stop loss premium is likely to be higher or lower depending on how your claim experience compares to norms.
- High claimants are not all the same to a stop loss carrier. Some conditions (e.g., complex pregnancies) are one-time expenses, while others (e.g., genetic conditions) may recur each year.

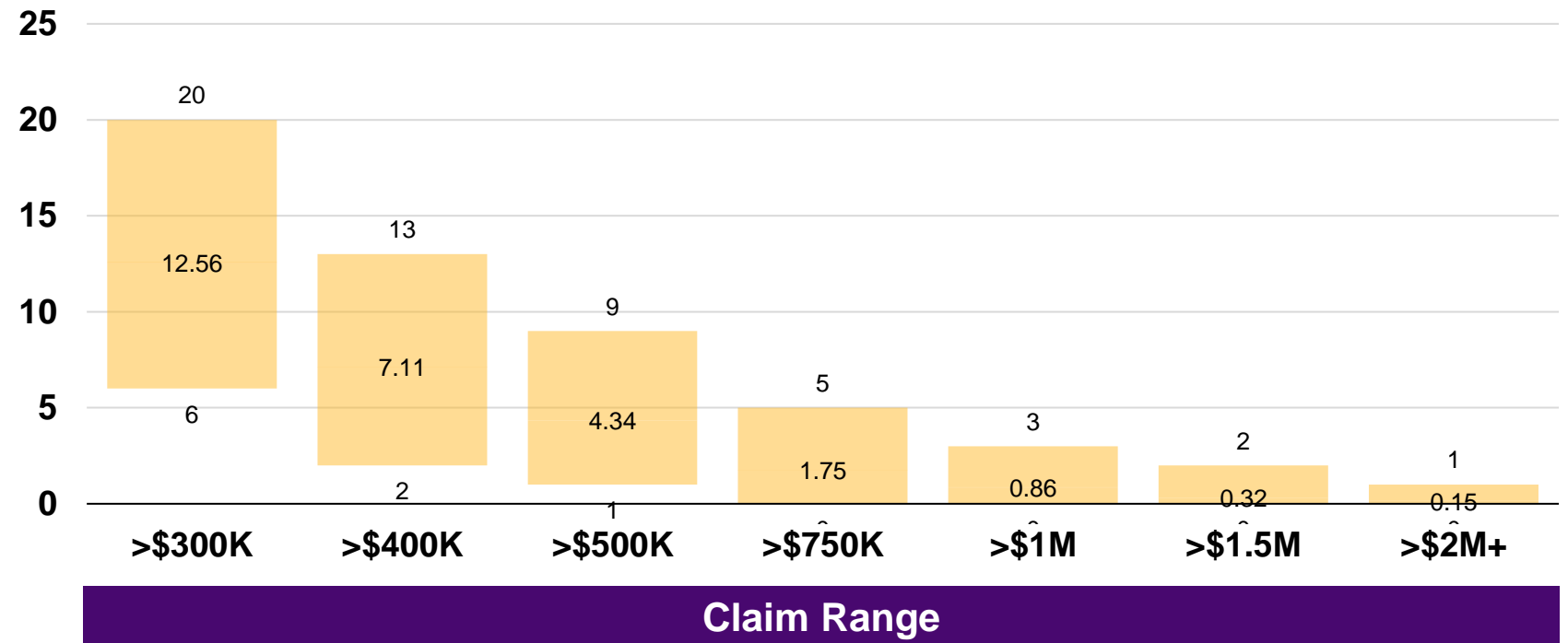
Stop loss benchmarking – high-cost claimants



An employer of your size is likely to see between 0 and 3 claimants, annually, with claims above \$1,000,000.

Number of Large Claimants

2024 Large Claim Incidence (95% Confidence Interval)



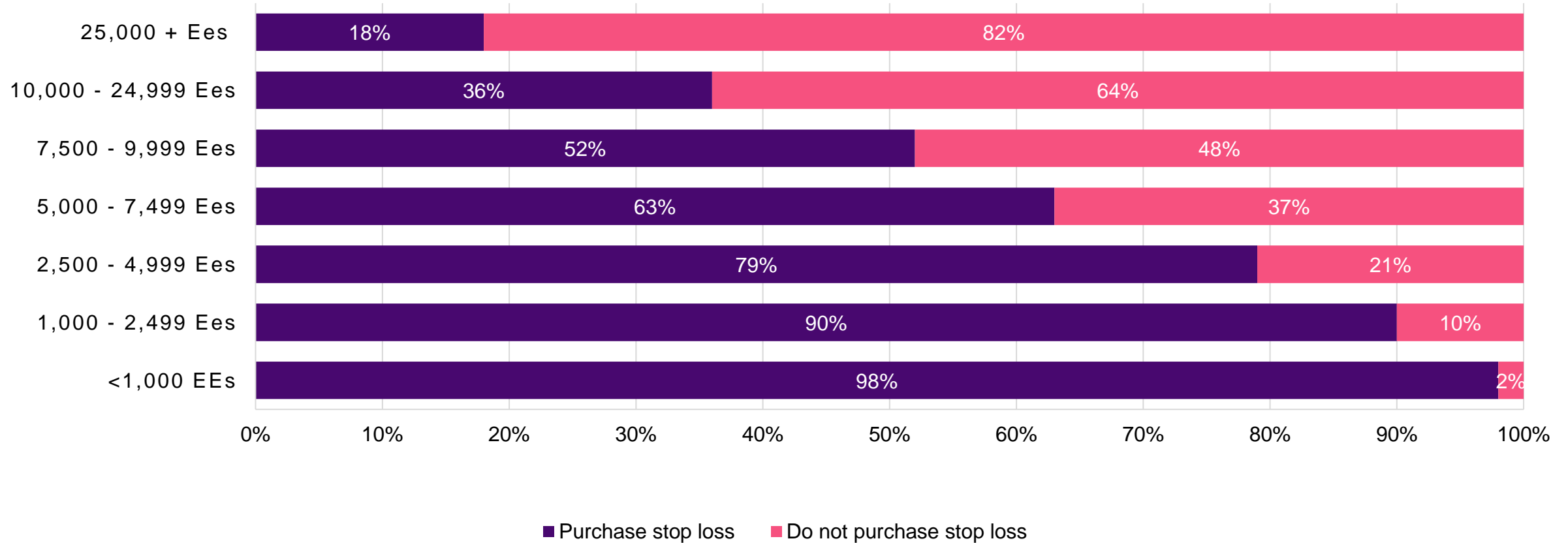
Source: Incidence rates based on 2019-2021 MarketScan data trended to 2024 (2021: N=15.6M members, \$88B in claims)

Rates above should be used only as a point of reference.

All results are subject to unforeseen and random events and should, therefore, be interpreted as having a likely range of variability from the estimate.

2024 coverage prevalence by employer size

Percent of self-funded employers who purchase stop loss coverage



The above chart is based on WTW's 2024 Financial Benchmarks Survey data.

Comparison of Proposals

Coverage Terms and Provisions

Stop Loss Provisions	Current	Requested
Effective date	01/01/2024	01/01/2025
Specific deductible level(s)	\$1,000,000	\$1,000,000
Contract terms (incurred/paid period)	Paid	12/24; Paid
Pharmacy included?	Yes	Yes
Mental health/substance abuse included	Yes	Yes
Maximum Liability (Annual/Lifetime)	Annual: Unlimited Lifetime: Unlimited	Annual: Unlimited Lifetime: Unlimited
Actively at work and non-confined provisions waived	Yes	Yes
Pre-65 retirees covered	Yes	Yes
Post-65 retirees covered	No	No
Aggregate Stop Loss requested	No	No
Aggregate Stop Loss Maximum benefit	NA	NA
Aggregating specific corridor requested	NA	NA
Terminal Liability Option requested	NA	3 months; 6 months; 12 months

Coverage Terms and Provisions

Criteria	Aetna
No new lasers at renewal included?	No
Renewal rate cap included?	Yes; 50%
Experience Rated Refund included?	No
Data feed fee funding	Not applicable
Medical carrier shared savings fee covered*	TBD

*It is important to consider the shared savings fee terms between the client and their medical administrator to ensure the fees would be covered in full by the selected stop loss carrier.

Caveats and Contingencies

Criteria	Aetna
Quote illustrative or firm	Firm
If firm, expiration date	12/12/24
If illustrative, subject to updated information on open or ongoing claims as listed	NA
Proposed lasers	No
Aggregating specific corridor quoted	None
Aggregate coverage provisions quoted	None
Terminal Liability Option quoted	Yes; 3 months, 6 months, 12 months
Additional unique terms and conditions/clauses	<ul style="list-style-type: none"> • Immediate reimbursement • No lasers for FDA-approved or pipeline gene replacement therapy drugs dispensed for specific conditions

Financial Summary: \$1M Specific Deductible

	In Force Policy	Renewal	Alternate TLO-3	Alternate TLO-6	Alternate TLO-12
Carrier	Aetna	Aetna	Aetna	Aetna	Aetna
Proposal Status		Firm	Firm	Firm	Firm
Firm Through Date		12/12/24	12/12/24	12/12/24	12/12/24
Specific Contract Basis	Paid	Paid	Paid	Paid	Paid
Specific Deductible	\$1,000,000	\$1,000,000	\$1,000,000	\$1,000,000	\$1,000,000
Annual Specific Premium	\$424,704	\$602,756	\$731,319	\$798,612	\$860,232
Net Carve Out Fees	\$0	\$0	\$0	\$0	\$0
Total Fixed Costs	\$424,704	\$602,756	\$731,319	\$798,612	\$860,232
		\$178,051	\$306,615	\$373,908	\$435,527
		41.9%	72.2%	88.0%	102.5%
Aggregating Specific Deductible	\$0	\$0	\$0	\$0	\$0
Additional Laser Liability	\$0	\$0	\$0	\$0	\$0
Total Fixed Costs	\$424,704	\$602,756	\$731,319	\$798,612	\$860,232
Total Fixed and Potential Costs	\$424,704	\$602,756	\$731,319	\$798,612	\$860,232
		\$178,051	\$306,615	\$373,908	\$435,527
		41.9%	72.2%	88.0%	102.5%

Specific Premium Rates by coverage tier					
Composite	\$8.11	\$11.51	\$11.97	\$12.20	\$12.32
Terminal Liability Rate	-	-	\$11.97	\$12.20	\$12.32
Annual Specific Premium	\$424,704	\$602,756	\$731,319	\$798,612	\$860,232

Notes:

- Results based on total enrollment of 4,364
- Data feed fee does not apply to medical administrator
- TLO-3 includes additional 2 months premium, TLO-6 includes additional 3 months premium, TLO-12 includes additional 4 months premium

Compensation Disclosure

Compensation Disclosure – Marketed Products

Alongside this Compensation Disclosure, you have been provided with a detailed summary and analysis of the incumbent quote(s) (and any recommended or alternate quotes, if applicable) based on what most aligns with the strategic direction you gave us in our pre-renewal strategy discussion. Below is a high-level summary of the incumbent carriers'/vendors' compensation and recommended markets we approached on your behalf and any compensation included with these quotes.

Carrier/Vendor name	Marketed carriers/vendors					
	Line(s) of business	Response	Sub-broker/ Intermediary	Standard compensation	Referral/ Management Fee	Additional compensation
Aetna	Stop Loss	Quoted	NA	0%	NA	5%

The proposals are presented under the terms of the current contract between our organizations.

WTW may receive other compensation such as contingent compensation related to the lines of insurance we place for you. Based on historical data, we estimate that our contingent compensation may range from 0% to 5% of the total premium we placed for all lines of insurance.

Please review the details of the proposals included to ensure that these meet your expectations. The proposals may differ from your current policy, so we recommend that you read the specifications from the carrier/vendor in their entirety and compare them to your current policy.

Should you have any questions about the proposals or concerns about what is included in this summary, please let us know at once. Please provide us with your selection of coverage. We will confirm the details of this selection in writing with you and the carrier/vendor.

Compensation Disclosure – Marketed Products

Below is a high-level summary of the additional carriers/vendors we approached on your behalf.

Carrier/Vendor name	Marketed carriers/vendors	
	Line(s) of business	Response
HM	Stop Loss	Quoted, not competitive +67%
Optum	Stop Loss	Declined to quote, uncompetitive pricing
QBE	Stop Loss	Declined to quote, uncompetitive pricing
Sun Life	Stop Loss	Declined to quote, uncompetitive pricing
Symetra	Stop Loss	Declined to quote, uncompetitive pricing
Voya	Stop Loss	Declined to quote, uncompetitive pricing

Please note that the quote from HM was originally obtained through the WTW Panels Process.

WTW Stop Loss Collaborative Highlights

Our vendor partners

Our current partners balance competitive choice, allowing us to negotiate favorable contract terms, conditions, and experience refunds



WTW Stop Loss Collaborative (“WTW SLC”) contract features come at no or discounted cost

Unlimited lifetime maximum

Covered benefits “mirror” medical plan

Waiver of disclosure statements

120% aggregate coverage at 125% rates

Experience refunds

Renewal rate cap guarantee

Choice of plan features to allow for customization of employer needs

Thank you for your
continued partnership.