



# County of El Dorado

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## Legislation Text

File #: 08-1177, Version: 1

Public Health Department recommending renewal of California State Association of Counties (CSAC) Excess Insurance Authority (EIA) catastrophic inmate medical insurance program for Fiscal Year 2008-2009 in the amount of \$111,933.

### **FUNDING:** County General Fund.

BUDGET SUMMARY:		
Total Estimated Cost		\$111,933
Funding		
Budgeted	\$90,000	
New Funding	\$	
Savings	\$	
Other	\$	
Total Funding Available	\$90,000	
Change To Net County Cost		\$21,933

Fiscal Impact/Change to Net County Cost: Increase in cost to General Fund in the amount of \$21,933. Additional funding to be included in the FY 2008-09 Budget Addenda.

Background: At its meeting on February 13, 2007, the Board directed Public Health and Risk Management to obtain insurance for the County through CSAC EIA to cover the costs associated with jail medical care over and above those covered by the correctional medical services contractor, California Forensic Medical Group (CFMG). Per the medical services contract, CFMG's financial responsibility for inmate hospitalizations is limited.

The original insurance policy term was February 2007 through February 2008, with a deductible amount of \$15,000, which coincided with the hospitalization liability limit set in the service agreement with CFMG at that time. An interim policy to bridge the period from February 2008 through June 30, 2008 was obtained so the policy term would coincide with the County's fiscal year. During the interim policy renewal, the underwriters evaluated the inmate medical care history for years 2003 through 2007; based on that review, the lowest deductible offered was \$20,000.

At that time, Public Health evaluated the potential risk created by the \$5,000 gap between the CFMG financial liability limit for inmate hospitalization episodes and the insurance policy deductible and determined that an amendment to the CFMG agreement raising the limit from \$15,000 to \$20,000 was both prudent and appropriate. Amendment I to the CFMG contract was finalized May 6, 2008, to raise the liability limit for hospitalization episodes to \$20,000.

On June 30, 2008, Risk Management and Public Health received notification that the proposed renewal premium deductible options increased 50% due to a net incurred loss ratio of 91%. Risk Management obtained a 15-day extension to consider the proposed increase and options during which time CSAC EIA negotiated with the underwriters to reduce the increase to 30%. On July 10, 2008 Risk Management and Public Health received CSAC EIA proposed policy amounts for FY 2008-09 as noted below:

Option 1:       \$20,000 deductible -- policy amount \$111,933  
Option 2:       \$30,000 deductible -- policy amount \$83,628  
Option 3:       \$40,000 deductible -- policy amount \$75,909

To prevent a lapse in the policy, a decision was necessary during the period while the Board was dark in July. As a temporary measure, a renewal was processed based on Option 1 following a review of inmate hospital usage and associated expenses.

The review of inmate hospitalizations in recent years revealed a consistent pattern of multiple high cost admissions each year. If this experience continues, any upfront savings the County may achieve by selecting the lower annual premium payments offered by Options 2 or 3 would be more than offset by the increased deductibles required to be paid with each high-cost admission.

Since CFMG remains liable for the first \$20,000 associated with inmate hospitalizations, the County's exposure is limited by selection of Option 1. The County's financial exposure with Option 2 or 3 would remain unknown and would continue to grow with each high-cost admission.

Risk Management confirmed with CSAC EIA that the FY 2008-09 policy can be revised to selection Options 2 or 3 should the Board so desire (however, this is not recommended for the reasons noted above).

The amount presently reflected in the FY 2008-09 budget was estimated prior to receipt of CSAC EIA's FY 2008-09 proposal and will require adjustment during the budget addenda process regardless of which option is selected (i.e., premium only, or premium plus estimated deductible payments based on historical experience for hospital admissions/expenses).

**Reason for Recommendation:** Based on historical experience as explained above, Public Health recommends avoiding the financial exposure created by the higher deductibles in Options 2 and 3, and accepting Option 1, with a deductible that is satisfied by the \$20,000 payment made by CFMG for each inmate hospitalization episode.

**Action to be taken following Board approval:**

- Risk Management to confirm / finalize policy renewal.
- Public Health to address FY 2008-09 budget at addenda process.

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