

ACTION FORM BRYAN CITY COUNCIL

DATE OF COUNCIL MEETING: December 2, 2014		DATE SUBMITTED: November 15, 2014	
DEPARTMENT OF ORIGIN: Risk Management		SUBMITTED BY: Cindy Kirk	
MEETING TYPE:	CLASSIFICATION:	ORDINANCE:	STRATEGIC INITIATIVE:
<input type="checkbox"/> BCD	<input type="checkbox"/> PUBLIC HEARING	<input type="checkbox"/> 1ST READING	<input type="checkbox"/> PUBLIC SAFETY
<input type="checkbox"/> SPECIAL	<input type="checkbox"/> CONSENT	<input type="checkbox"/> 2ND READING	<input checked="" type="checkbox"/> SERVICE
<input checked="" type="checkbox"/> REGULAR	<input checked="" type="checkbox"/> STATUTORY		<input type="checkbox"/> ECONOMIC DEVELOP.
<input type="checkbox"/> WORKSHOP	<input type="checkbox"/> REGULAR		<input type="checkbox"/> INFRASTRUCTURE
			<input checked="" type="checkbox"/> QUALITY OF LIFE
AGENDA ITEM DESCRIPTION: Consider awarding the 2015 Health Plan Medical Stop Loss insurance to Blue Cross and Blue Shield of Texas (BCBS) with a projected annual cost of \$604,288.			
<p>SUMMARY STATEMENT: The City of Bryan has a self-funded employee health insurance plan. This self-funded health plan has three components: 1. Administrative fees; 2. Stop Loss premiums; and 3. Actual claims. This Council Action Form (CAF) is for the second of the three components: Stop Loss insurance. Stop Loss insurance protects the City from high dollar medical claims. Specific Stop Loss insurance provides coverage once an individual plan member's medical claims for the policy year exceed the policy's retention limits of \$150,000. Aggregate Stop Loss insurance provides coverage when the health plan's entire group medical claims for the policy year exceed the policy's Aggregate Attachment Point of 125% of expected annual claims.</p> <p>The City and the City's Sole Broker of Record conducted a competitive request for proposals (RFP) for employee Health Plan Medical Stop Loss insurance beginning January 1, 2015, for a period of twelve (12) months with the option to renew for two (2) additional years, subject to approval and funding. Although proposals were issued to fourteen (14) vendors, only two (2) proposals were received. Eight (8) vendors submitted declinations. After evaluating the proposals, it was concluded Blue Cross Blue Shield of Texas (BCBS) offered the best overall value. The attached exhibit, Summary of 2015 Stop Loss Proposals, shows a comparison of the two (2) proposals received.</p> <p>BCBS submitted a premium rate for 2015 of \$56.76 per member per month for Specific Stop Loss insurance and \$2.00 per month for Aggregate Stop Loss insurance, a total premium of \$58.76. This rate is a 10.33% increase from the 2014 total premium of \$53.26. Although the second proposal, HM Insurance Group, has a slightly lower annual premium cost—approximately \$5,500—the Aggregate Stop Loss Attachment Point (the City's group retention limit) is significantly greater (34% greater). The 2015 proposed aggregate factor for BCBS is \$653.23 per employee per month with an estimated annual Aggregate Attachment Point of \$6,717,818. The 2015 proposed aggregate factor for HM Insurance Group is \$951.22 per employee per month with an estimated annual Aggregate Attachment Point of \$9,782,347. The Aggregate Attachment Point is calculated using a pre-established aggregate retention factor (established by the insurer) multiplied by the monthly plan enrollment and aggregated for each of the twelve (12) months in the policy per year.</p> <p>Several factors can attribute to the cost of Stop Loss insurance, including market conditions and an insured's loss history. As with most insurance, increased claims results in higher premiums and/or fewer proposal responses. In the past three (3) years, the City has had ten (10) claims exceeding the Specific Stop Loss policy retention limit of \$150,000.</p> <p>Side note: The City of Bryan contracts for Sole Broker of Record for its employee benefit programs. The City's Sole Broker of Record is paid on a fee basis by the City—rather than by insurance carrier commissions—to review,</p>			

market, and negotiate insurance programs on the City's behalf. By using a Sole Broker of Record, the City is independently represented to the insurance market worldwide, which maximizes obtaining the most favorable coverage and price for the City of Bryan.

STAFF ANALYSIS AND RECOMMENDATION: Staff respectfully requests the City Council award the 2015 Health Plan Medical Stop Loss Insurance to Blue Cross Blue Shield of Texas for one (1) year beginning January 1, 2015, and ending December 31, 2015, at a rate of \$56.76 per member per month for Specific Stop Loss insurance and a rate of \$2.00 per member per month for Aggregate Stop Loss insurance, with the option to renew for two (2) additional years. The total stop loss premium—specific and aggregate—is \$58.76 per member per month, and the estimated total annual cost is \$604,288. Approving this expenditure allows the City to continue to provide quality health plan benefits to employees.

OPTIONS (In Suggested Order of Staff Preference):

1. Award Health Plan Medical Stop Loss insurance to Blue Cross Blue Shield of Texas (BCBS) beginning January 1, 2015, and ending December 31, 2015, for Specific Stop Loss insurance at a rate of \$56.76 per member per month and Aggregate Stop Loss insurance at a rate of \$2.00 per member per month, with the option to renew for two (2) additional years; total cost of \$58.76 per member per month. The estimated total annual cost is \$604,288.
2. Award Health Plan Medical Stop Loss insurance to HM Insurance Group beginning January 1, 2015 and ending December 31, 2015, for Specific Stop Loss insurance at a rate of \$53.10 per member per month for Specific Stop Loss insurance and Aggregate Stop Loss insurance at a rate of \$4.64 per member per month, with the option to renew for two (2) additional years; total cost of \$57.74 per member per month. The estimated combined annual cost, including the Stop Loss Interface fee, is \$598,799. Such action may require consideration at a future City Council meeting and would increase the City's Aggregate Stop Loss retention by \$3,064,529 (34%). This is the maximum medical claims amount the City pays before Aggregate Stop Loss begins paying.
3. Do not award Health Plan Medical Stop Loss insurance and provide additional direction to staff.

ATTACHMENTS:

1. Summary of 2015 Stop Loss Proposals (attached to this Council Action Form)
2. Annual Comparison of Stop Loss Rates for 2011, 2012, 2013, 2014, and proposed 2015 (attached to this Council Action Form)

FUNDING SOURCE: FY2015 budget – Employee Benefits Fund (as budgeted)

APPROVALS: Hugh R. Walker, 11/14/2014

APPROVED FOR SUBMITTAL: CITY MANAGER Kean Register, 11-17-2014

APPROVED FOR SUBMITTAL: CITY ATTORNEY

CITY OF BRYAN

SUMMARY OF 2015 STOP LOSS PROPOSALS

	Current	Recommended	Proposed
Stop Loss Carrier	BCBS	BCBS	HM Insurance
Specific Stop Loss Premium (composite)	\$48.29	\$56.76	\$53.10
Aggregate Stop Loss Premium	\$4.97	\$2.00	\$4.64
Total Stop Loss Premium	\$53.26	\$58.76	\$57.74
Estimated Annual Premium ¹	\$547,726	\$604,288	\$593,799
Stop Loss Interface Fee ²	NA	NA	\$5,000
Annual Estimated Premium¹ & Interface Fee²	\$547,726	\$604,288	\$598,799
Compared to Current	-	10.33%	9.33%
Monthly Aggregate Attachment Factor	\$711.50	\$653.23	\$951.22
Annual Aggregate Attachment Point^{1,3}	\$7,317,066	\$6,717,818	\$9,782,347
Compared to Current	-	-8.19%	33.69%

¹ Based on 857 members per month

² \$5,000/annual Third Party Stop Loss Interface Fee required by Claims Administrator (BCBS)

³ Maximum medical claims amount City pays before Aggregate Stop Loss begins paying

ANNUAL COMPARISON OF STOP LOSS RATES

	2011	2012	2013	2014	2015
Specific Stop Loss Rate	\$29.20	\$36.39	\$38.57	\$48.29	\$56.76
Dollar Increase	\$3.35	\$7.19	\$2.18	\$9.72	\$8.47
Percent Increase	12.96%	24.63%	6.00%	25.20%	17.54%
Aggregate Stop Loss Rate	\$5.47	\$6.62	\$6.62	\$4.97	\$2.00
Dollar Increase	\$0.00	\$1.15	\$0.00	\$0.00	-\$2.97
Percent Increase	0%	21.03%	0%	-24.92%	-59.76%
Total Stop Loss Premium	\$34.67	\$43.01	\$45.19	\$53.26	\$58.76
Dollar Increase	\$3.35	\$8.34	\$2.18	\$8.07	\$5.50
Percent Increase	10.70%	24.06%	5.07%	17.86%	10.33%
Total Annual Premium ¹	\$356,547	\$442,315	\$464,734	\$547,726	\$604,288
Aggregate Monthly Attachment Factor	\$660.05	\$712.99	\$646.09	\$711.50	\$653.23
Dollar Increase	\$22.30	\$59.94	-\$66.90	\$65.41	-\$58.27
Percent Increase	3.50%	8.02%	-9.38%	10.13%	-8.19%
Aggregate Annual Attachment Point ^{1,2}	\$6,787,955	\$7,332,310	\$6,644,390	\$7,317,066	\$6,717,818

¹ Based on 857 employees

² Maximum medical claims amount City pays before Aggregate Stop Loss begins paying