

**Meeting Date (?)** 12/15/2015

**Subject Matter\* (?)** Consideration of Approval of Health Plan Stop Loss Insurance  
This must match rolling agenda entry

**Department of Origin\*** RISK MANAGEMENT

**Submitted By\*** Cindy Kirk

**Type of Meeting\***  BCD  Special  Regular

**Classification\***  Public Hearing  Consent  Statutory  Regular

**Ordinance\***  None  First Read  Second Read  First & Only Read

**Strategic Initiative\***  Public Safety  Service  
 Economic Development  Infrastructure  
 Quality of Life

**Agenda Item Description\*** Consider awarding the 2016 Health Plan Medical Stop Loss insurance to Symetra with a projected annual cost of \$611,777.

## 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 transfers the risk of large claims —also known as “shock” claims— from the City to an insurance carrier that reimburses the City for claims that exceed a specific retention. Individual Stop loss insurance (ISL) 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 (ASL) provides coverage when the health plan’s medical claims (entire group) for the policy year exceed the policy’s Aggregate Attachment Point of 125% of expected annual claims (maximum liability). The Stop Loss insurer determines the total expected claims amount based on the City’s claims and enrollment history.

The City and the City’s Sole Broker of Record conducted a competitive request for proposals (RFP) for employee Health Plan Stop Loss insurance beginning January 1, 2016, for a period of twelve (12) months with the option to renew for four (4) additional years, subject to City Council approval and funding. In addition to medical stop loss coverage, the City requested coverage for prescription drugs, if available. The emergence of expensive specialty drugs raises the financial risk that plans will experience with high drug costs. The City’s current Stop Loss insurance does not include prescription coverage, and many insurers are routinely not quoting prescription drug claims in their stop loss coverage. Seven (7) proposals were received. Two (2) proposals provided prescription drug coverage, and five (5) did not provide prescription drug coverage. The attached exhibit, Summary of 2016 Stop Loss Proposals, shows a comparison of all proposals received.

After evaluating the proposals, it was concluded Symetra’s proposal, which included coverage for prescription drug claims, offered the best overall value to the City of Bryan. Symetra’s proposal includes prescription drug claims, and the premium is only a 0.19% greater than the City’s current premium. The additional premium to include prescription coverage, when compared to the lowest cost proposal for only medical claims, is \$23,382.

While the City’s medical claims trend has increased approximately 3% over the past five (5) years, the City’s prescription drug trend has increased about 37% over the same time period. There has been a 42% increase from 2013 to 2015. Specialty drug claims increased 23% in 2015 compared to 2014. The expansion of high-cost specialty medications for diseases such as hepatitis C, cancer, hemophilia, and rheumatoid arthritis raise the risk of unpredictable and potentially high-cost drug claims. Many of these drugs cost tens of thousands of dollars per month. The City currently has seven (7) claimants with prescription drug claims over \$20,000/year—one (1) approaching \$100,000.

The City’s Individual Stop Loss retention remains at \$150,000 per individual. That means that if an individual’s medical and prescription claims exceed \$150,000, the insurer will reimburse the City for medical and prescription claims exceeding that amount. The Stop Loss insurance carrier determines the total expected claims amount and sets the Attachment Point (maximum liability) at 125% of the expected amount for the Aggregate Stop Loss insurance. The City’s Aggregate Attachment Point for Aggregate Stop Loss will increase due to the inclusion of expected prescription drug claims. Since claims reimbursed under the Individual Stop Loss insurance do not apply to the Aggregate Stop Loss coverage, the likelihood of exceeding the maximum liability and being reimbursed is low. The City has received an Aggregate Stop Loss reimbursement only once in the past ten (10) years — in 2006.

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, 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 & Recommendation \***

Staff recommends prescription drugs be included in the Stop Loss coverage due to increased utilization of specialty drugs resulting in an increased financial risk to the health plan. Staff respectfully requests the City Council award the 2016 Health Plan Medical and Prescription Stop Loss insurance to Symetra for one (1) year beginning January 1, 2016, and ending December 31, 2016, at a rate of \$56.21 per member per month for Individual Stop Loss insurance and a rate of \$2.66 per member per month for Aggregate Stop Loss insurance, with the option to renew for four (4) additional years. The total stop loss premium — individual and aggregate — is \$58.87 per member per month, and the estimated total annual cost is \$611,777.

The Third Party Stop Loss Interface Fee required by Blue Cross Blue Shield (\$5,000) was included with the Health Plan Claims Administrator agreement and approved by the Bryan City Council on September 22, 2015.

**Options \***

(In Suggested Order of Staff Preference)

1. Award Health Plan Medical and Prescription Stop Loss insurance to Symetra beginning January 1, 2016, and ending December 31, 2016, for Individual Stop Loss insurance at a rate of \$56.21 per member per month and Aggregate Stop Loss insurance at a rate of \$2.66 per member per month, with the option to renew for four (4) additional years; total cost of \$58.87 per member per month. The estimated total annual cost is \$611,777. The Third Party Stop Loss Interface Fee required by Blue Cross Blue Shield (\$5,000) was included with the Health Plan Claims Administrator agreement and approved by the Bryan City Council on September 22, 2015. Approval of this proposal provides coverage for both medical and prescription claims.
2. Award Health Plan Medical Stop Loss insurance to Symetra beginning January 1, 2016, and ending December 31, 2016, for Individual Stop Loss insurance at a rate of \$53.96 per member per month and Aggregate Stop Loss insurance at a rate of \$2.66 per member per month, with the option to renew for four (4) additional years; total cost of \$56.62 per member per month. The estimated total annual cost is \$588,395. The Third Party Stop Loss Interface Fee required by Blue Cross Blue Shield (\$5,000) was included with the Health Plan Claims Administrator agreement and approved by the Bryan City Council on September 22, 2015. Such action may require consideration at a future City Council meeting; the current Individual and Aggregate Stop Loss insurance expires December 31, 2015. This action will not provide coverage for prescription claims.
3. Award Health Plan Medical Stop Loss insurance to MunichRe beginning January 1, 2016, and ending December 31, 2016, for Individual Stop Loss insurance at a rate of \$58.85 per member per month and Aggregate Stop Loss insurance at a rate of \$2.22 per member per month, with the option to renew for four (4) additional years; total cost of \$61.07 per member per month. The estimated total annual cost is \$634,639. The Third Party Stop Loss Interface Fee required by Blue Cross Blue Shield (\$5,000) was included with the Health Plan Claims Administrator agreement and approved by the Bryan City Council on September 22, 2015. Such action may require consideration at a future City Council meeting; the current Individual and Aggregate Stop Loss insurance expires December 31, 2015. This action will not provide coverage for prescription claims.
4. Award Health Plan Medical and Prescription Stop Loss insurance to HMI beginning January 1, 2016, and ending December 31, 2016, for Individual Stop Loss insurance at a rate of \$68.96 per member per month and Aggregate Stop Loss insurance at a rate of \$3.20 per member per month, with the option to renew for four (4) additional years; total cost of \$72.16 per member per month. The estimated total annual cost is \$749,887. The Third Party Stop Loss Interface Fee required by Blue Cross Blue Shield (\$5,000) was included with the Health Plan Claims Administrator agreement and approved by the Bryan City Council on September 22, 2015. Such action may require consideration at a future City Council meeting; the current Individual and Aggregate Stop Loss insurance expires December 31, 2015. This action will provide coverage for both medical and prescription claims.
5. Award Health Plan Medical Stop Loss insurance to Blue Cross Blue Shield beginning January 1, 2016, and ending December 31, 2016, for Individual Stop Loss insurance at a rate of \$68.42 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 four (4) additional years; total cost of \$70.42 per member per month. The estimated total annual cost is \$731,805. The Third Party Stop Loss Interface Fee is waived if Blue Cross Blue Shield provides the Stop Loss insurance. Such action may require consideration at a future City Council meeting; the current Individual and Aggregate Stop Loss insurance expires December 31, 2015. This action will not provide coverage for prescription claims.
6. Award Health Plan Medical Stop Loss insurance to HMI beginning January 1, 2016, and ending December 31, 2016, for Individual Stop Loss insurance at a rate of \$67.58 per member per month and Aggregate Stop Loss insurance at a rate of \$2.62 per member per month, with the option to renew for four (4) additional years; total cost of \$70.20 per member per month. The estimated total annual cost is \$729,518. The Third Party Stop Loss Interface Fee required by Blue Cross Blue Shield (\$5,000) was included with the Health Plan Claims Administrator agreement and approved by

the Bryan City Council on September 22, 2015. Such action may require consideration at a future City Council meeting; the current Individual and Aggregate Stop Loss insurance expires December 31, 2015. This action will not provide coverage for prescription claims.

7. Award Health Plan Medical Stop Loss insurance to Optum beginning January 1, 2016, and ending December 31, 2016, for Individual Stop Loss insurance at a rate of \$72.23 per member per month and Aggregate Stop Loss insurance at a rate of \$2.26 per member per month, with the option to renew for four (4) additional years; total cost of \$74.49 per member per month. The estimated total annual cost is \$774,100. The Third Party Stop Loss Interface Fee required by Blue Cross Blue Shield (\$5,000) was included with the Health Plan Claims Administrator agreement and approved by the Bryan City Council on September 22, 2015. Such action may require consideration at a future City Council meeting; the current Individual and Aggregate Stop Loss insurance expires December 31, 2015. This action will not provide coverage for prescription claims.

8. Do not award Health Plan Stop Loss insurance and provide direction to staff. This action may not provide coverage for prescription claims. The current Individual and Aggregate Stop Loss insurance expires December 31, 2015.

**Funding Source\***

Employee Benefits Fund (as budgeted)

**Attachments**

Summary of Stop Loss Proposals, Premium History, Plan Spending.docx

26.47KB

Please detail attachments and note attachments available for viewing in City Secretary's Office:

**Dept. Head Signature**



*Cynthia Kirk*

**Deputy City Manager  
Signature**



*Hugh R. Walker*

**City Manager Signature**



*[Signature]*

**City Attorney Signature**



*Janis K. Hampton*