CITY OF BRYAN
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ACTION FORM
BRYAN CITY COUNCIL

Meeting Date (?) 11/08/2016

Subject Matter* (?) Consider approving renewal of 2017 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 ☐ Economic Development ☑ Quality of Life ☐ Service ☐ Infrastructure

Agenda Item Description* Consider approving renewal of the 2017 Health Plan Stop Loss insurance to Symetra with a projected annual cost of $689,467.

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 medical and prescription claims that exceed a specific retention. Individual Stop loss insurance (ISL) provides coverage once an individual plan member's 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.

Last year, City staff 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, 2016, for a period of twelve (12) months with the option to renew for four (4) additional years, subject to approval and funding. Seven (7) proposals were received. Two (2) proposals provided prescription drug coverage, and five (5) did not. Many insurers do not quote prescription drug claims in their stop loss coverage due to expensive specialty drugs raising the financial risk. 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 included prescription drug claims, and the premium was only 0.19% greater than the City's 2015 premium that did not include prescription drug claims.

The Bryan City Council approved the recommendation to award the employee health plan stop loss insurance to Symetra effective January 1, 2016, for a period of twelve (12) months with the option to renew for four (4) additional years, subject to approval and funding. When the City requested proposals for this stop loss insurance it was the intent to consider extending the policy for the additional years with direct negotiations of pricing and terms. The first additional one (1) year term begins January 1, 2017. Symetra originally proposed a renewal increase for 2017 of 25% for the Individual Stop Loss Insurance (ISL). The City's Broker of Record was able to negotiate the proposed renewal down to $61.76 per member per month for Individual Stop Loss insurance (ISL) and $2.58 per member per month for Aggregate Stop Loss insurance (ASL). The combined premium (ISL and ASL) is $64.34 per member per month, a 9.29% increase from the current premium of $58.87. The estimated annual premium is $689,467.

Several factors can attribute to the cost of stop loss insurance, including market conditions, an insured's long term history, and an insured's short term history. As with most insurance, increased claims results in greater premiums. In the past three (3) years, the City has had five (5) claims exceed the Individual Stop Loss policy retention limit of $150,000.

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 respectfully requests the City Council approve the first renewal for 2017 Health Plan Medical and Prescription Stop Loss insurance to Symetra for one (1) year beginning January 1, 2017, and ending December 31, 2017, at a rate of $61.76 per member per month for Individual Stop Loss insurance with an individual retention of $150,000 and Aggregate Stop Loss insurance at a rate of $2.58 per member per month for Aggregate Stop Loss insurance. The combined total stop loss premium—individual and aggregate—is $64.34 per member per month, and the estimated total annual cost is $689,467.

Options*

(In Suggested Order of Staff Preference)

1. Award Health Plan Medical and Prescription Stop Loss insurance to Symetra beginning January 1, 2017, and ending December 31, 2017, for Individual Stop Loss insurance at a rate of $61.76 per member per month with an individual retention of $150,000 and Aggregate Stop Loss insurance at a rate of $2.58 per member per month; total cost of $64.34 per member per month. The estimated total annual cost is $689,467.

2. Do not award Health Plan Stop Loss insurance and provide direction to staff. The current Individual and Aggregate Stop Loss insurance expires December 31, 2016.

Funding Source*

Employee Benefits Fund (as budgeted)

Attachments

Health Plan Stop Loss History.docx 18.75KB

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

1. History of Stop Loss Premiums and 2016 Proposals (during the 2015 RFP process)

Dept. Head Signature

Cynthia Kirk

Deputy City Manager Signature

Hugh R. Walker

City Manager Signature

City Attorney Signature

Janis K. Hampton