

ACTION FORM BRYAN CITY COUNCIL

DATE OF COUNCIL MEETING: November 18, 2013		DATE SUBMITTED: October 31, 2013	
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 checked="" type="checkbox"/> CONSENT	<input type="checkbox"/> 2ND READING	<input checked="" type="checkbox"/> SERVICE
<input checked="" type="checkbox"/> REGULAR	<input 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 2014 Health Plan Year Medical Re-insurance to Blue Cross and Blue Shield of Texas (BCBS) with a projected annual cost of \$543,252.			
<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. Re-insurance (stop loss premiums); and 3. Actual claims. This Council Action Form is for the second of the three components: Re-insurance. Reinsurance, referred to as 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 exceed the policy's retention limits of \$150,000. Aggregate stop loss insurance provides coverage when the health plan's group medical claims exceed the policy's attachment point of 125% of expected claims.</p> <p>City staff and the City's Broker of Record conducted a competitive request for proposals (RFP) for employee health plan medical stop loss insurance beginning January 1, 2014, for a period of twelve (12) months with the option to renew for two (2) additional years, subject to approval and funding. Although seventeen vendors viewed the on-line RFP, only three quotes were received. After evaluating the proposals, it was concluded that Blue Cross Blue Shield of Texas (BCBS) offered the best overall costs.</p> <p>BCBS originally proposed a premium rate for 2014 of \$48.29 per member per month for specific stop loss insurance and \$6.62 per member per month for aggregate stop loss insurance, a total premium of \$54.91, which would be a 21.5% increase from the 2013 total premium of \$45.19. The City's Broker of Record was able to negotiate the aggregate stop loss proposal down to \$4.97 per member per month. The specific stop loss proposal will remain flat at \$48.29 per member per month. The final total stop loss premium proposed—specific and aggregate—is \$53.26 per member per month with an estimated annual cost for the City of Bryan of \$543,252. This rate is 17.86% increase from the 2013 total premium of \$45.19. The attached exhibit, Summary of 2014 Stop Loss Proposals, shows a comparison of the proposals received.</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 two years, the City has had seven (7) claims exceeding the specific stop loss policy retention limit of \$150,000. Several markets declined to quote stating they could not be competitive with BCBS.</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, 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.</p>			

STAFF ANALYSIS AND RECOMMENDATION: Staff respectfully requests the City Council award the 2014 Health Plan Medical Stop Loss Insurance to Blue Cross Blue Shield of Texas for one (1) year beginning January 1, 2014, and ending December 31, 2014, at a rate of \$48.29 per member per month for specific stop loss insurance with an individual retention of \$150,000 and a rate of \$4.97 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 \$53.26 per member per month, and the estimated combined annual cost is \$543,252. 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, 2014, and ending December 31, 2014, for specific stop loss insurance at a rate of \$48.29 per member per month with an individual retention of \$150,000 and aggregate stop loss insurance at a rate of \$4.97 per member per month, with the option to renew for two (2) additional years. The estimated combined annual cost is \$543,252.
2. Award Health Plan Medical Stop Loss insurance to a different proposer, which may require consideration at a future City Council meeting and negotiation with a different firm.
3. Do not award Health Plan Medical Stop Loss insurance and provide additional direction to staff.

ATTACHMENTS:

1. Summary of 2014 Stop Loss Proposals
2. Annual Comparison of Stop Loss Rates for 2011, 2012, 2013, and proposed 2014

FUNDING SOURCE: FY2014 budget – Employee Benefits Fund

APPROVALS: Hugh R. Walker, 11/01/2013

APPROVED FOR SUBMITTAL: CITY MANAGER Kean Register, 11/04/2013

APPROVED FOR SUBMITTAL: CITY ATTORNEY Janis K. Hampton, 11/04/2013

Revised 05/2013

CITY OF BRYAN

SUMMARY OF 2014 STOP LOSS PROPOSALS

	Current	Proposed	Proposed	Proposed
Stop Loss Carrier	BCBS	BCBS	Standard Sec.	Am National
Contract	Paid Medical	Paid Medical	Paid Medical	Paid Medical
Specific Stop Loss Premium (composite)	\$38.57	\$48.29	\$50.28	\$53.59
Aggregate Stop Loss Premium	\$6.62	\$4.97	\$3.80	\$3.93
Third Party Stop Loss Interface Fee	\$0.00	\$0.00	\$1.00	\$1.00
Total Reinsurance Rate	\$45.19	\$53.26	\$55.08	\$58.52
Total Annual Premium & Fee¹	\$460,938	\$543,252	\$561,816	\$596,904
Compared to Current	-	17.86%	21.89%	27.28%
Aggregate Attachment Point ^{1,2}	\$6,590,118	\$7,330,638	\$8,241,600	\$8,441,520
Compared to Current	-	11.24%	25.06%	29.05%

¹ Based on 850 members per month

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

ANNUAL COMPARISON OF STOP LOSS RATES

	2011	2012	2013	2014
Specific Retention Limit (Paid Medical)	\$150,000	\$150,000	\$150,000	\$150,000
Specific Stop Loss Rate	\$29.20	\$36.39	\$38.57	\$48.29
Dollar Increase	\$3.35	\$7.19	\$2.18	\$9.72
Percent Increase	12.96%	24.63%	6.00%	25.20%
Aggregate Retention Limit (Paid Medical)	125%	125%	125%	125%
Aggregate Stop Loss Rate	\$5.47	\$6.62	\$6.62	\$4.97
Dollar Increase	\$0.00	\$1.15	\$0.00	\$0.00
Percent Increase	0%	21.03%	0%	-24.92%
Total Stop Loss Premium	\$34.67	\$43.01	\$45.19	\$53.26
Dollar Increase	\$3.35	\$8.34	\$2.18	\$8.07
Percent Increase	10.70%	24.06%	5.07%	17.86%
Total Annual Premium ¹	\$353,634	\$438,702	\$460,938	\$543,252
Aggregate Monthly Attachment Factor	\$660.05	\$712.99	\$646.09	\$718.69
Dollar Increase	\$22.30	\$59.94	-\$66.90	\$72.60
Percent Increase	3.50%	8.02%	-9.38%	11.24%
Aggregate Annual Attachment Point ^{1,2}	\$6,732,510	\$7,272,498	\$6,590,118	\$7,330,638

¹ Based on 850 employees

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