



Legislation Details (With Text)

**File #:** 050710      **Version:** 0      **Name:** Selection of Synetra Life Insurance Company as the Carrier from the City's Group Health Plan Selection of Symetra Life Insurance Company as the Carrier for the City's Group Health Plan Specific Stop-Loss Insurance (B)

**Type:** Staff Recommendation      **Status:** Passed

**File created:** 12/12/2005      **In control:** City Manager

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**Title:** Selection of Symetra Life Insurance Company as the Carrier for the City's Group Health Plan Specific Stop-Loss Insurance (B)

This item involves the selection as Symetra Life Ins. Co. to provide the City's Group Health Plan with Specific Stop-Loss Insurance for claims in excess of \$150,000.

**Sponsors:**

**Indexes:**

**Code sections:**

**Attachments:** 1. 050710a\_200512121300.pdf, 2. 050710b\_200512121300.pdf

Date	Ver.	Action By	Action	Result
12/12/2005	0	City Commission	Approved as Recommended	Pass

**Selection of Symetra Life Insurance Company as the Carrier for the City's Group Health Plan Specific Stop-Loss Insurance (B)**

**This item involves the selection as Symetra Life Ins. Co. to provide the City's Group Health Plan with Specific Stop-Loss Insurance for claims in excess of \$150,000.**

The City of Gainesville purchases specific stop-loss insurance to protect the City's Group Health Plan. Specific stop-loss insurance is a risk-financing tool used to transfer the risk of catastrophic health claims to a third party, in this case an insurer. Under a stop-loss arrangement, the City's Group Health Plan would be responsible to pay for a claim until it reaches a set dollar amount called the attachment point. Once the claim exceeds the attachment point, the insurer will reimburse the Group Health Plan for all costs paid above that attachment point.

This is not a policy that would be purchased through the City's broker agreement with Marsh. The City of Gainesville, with the aid of Waters Risk Management developed a Request for Proposals (RFP) for Stop-Loss Insurance for its Group Health Plan. The City received quotes from six insurance carriers through two Agents. Despite the fact that the RFP allowed for carrier direct quotes and requested carriers to provide multiple quotes through different agents, there were no direct carrier quotes and only one carrier presented quotes through multiple agents. Four quotes were received through Gallagher Benefit Services and two through Hilb, Rogal & Hobbs (HRH).

The RFP was evaluated based on Cost (45pts), Coverage (25pts), Service (15pts) and Financial Stability (15pts). The final scores reflect an additional five points awarded to the local vendor as required by the City's Local Vendor Preference ordinance. Based on the review of the proposals following the above scoring criteria, staff recommends the insurance program quoted by Symetra Life as the provider of specific stop loss insurance to the City's group health plan. Our consultant concurs with the choice of Symetra. The quoted premium is a ten percent reduction from the current premium and will save the Group Health Plan between \$35,000 and \$55,000 depending on the loss experience of the policy. A summary of the scoring is included in the backup.

The Symetra quote was received through Gallagher Benefit Services. Gallagher Benefit Services is a wholly owned subsidiary of Arthur J. Gallagher & Co. The quoted premium included a 15% commission and will result in a commission between \$54,000 and

\$80,000. One of the significant advantages to the Symetra quote relates to a retrospective premium option that is not available with the other carriers. This option allows for additional risk sharing with the carrier, with the City being rewarded up front for positive loss experience. This option could allow the City to pay a lower premium, potentially up to approximately \$160,000 lower. Any additional premium would be based on the loss experience associated with claims paid for plan year 2006. As mentioned above, even the worst-case scenario would result in a lower premium than last year. All cost projections for the purpose of evaluating this RFP assumed no incremental savings from this retrospective premium to ensure a fair comparison.

Though Symetra declined to release a bid through HRH, the HRH proposal suggests that the City choose Symetra and offers to act as the City's agent. This method would result in commissions of \$20,000 versus the \$54,000 to \$80,000 under Gallagher's bid. This would require an agent of record designation by the City of Gainesville. The RFP was designed to find a provider of stop-loss insurance and not specifically to select an agent. In the normal course of business, the agent who brings the lowest qualified bid would be chosen as the agent of record. The option of selecting Symetra and designating HRH as the broker of record was reviewed by the City Attorney's Office and based on their review this is not an option. According to the City Attorney's Office, the City could only choose a carrier option that was included in the HRH proposal. HRH did not have a premium quote from Symetra and therefore cannot offer that product as an option under the current RFP process. The lowest premium option submitted by HRH was from Sun Life Assurance Company. This option is included in Alternative Recommendation 2 and has an additional cost between \$136,000 and \$297,000.

Finally, it should be noted that a requirement of the RFP included disclosure of any litigation, settlements or allegations of wrongdoing. The HRH proposal did not address this issue, while the Gallagher Benefit Services proposal did. Parent companies of both firms have recently entered into voluntary Settlement Agreements related to business practices. The evaluations reflect the responses and non-responses of the vendors on this point.

Funds for this insurance have been budgeted in the Employee Health and Accident Benefits (EHAB) Fund and the cost of this coverage is included in the approved 2006 health insurance rates.

The City Commission: 1) authorize the selection of Symetra Life Insurance Company as the carrier for specific stop-loss insurance for calendar year 2006; 2) authorize issuance of a purchase order in an amount sufficient to cover applicable charges for specific stop-loss to Symetra Life Insurance Company; 3) authorize Gallagher Benefit Services as the agent; and, 4) authorize the City Manager or his designee to negotiate and execute the necessary documents required to complete the transaction, subject to approval from the City Attorney as to form and legality.

**Alternative Recommendation A:**

The City Commission: 1) authorize the selection of Symetra Life Insurance Company as the carrier for specific stop loss insurance for calendar year 2006; 2) authorize issuance of a purchase order in an amount sufficient to cover applicable charges for specific stop loss to Symetra Life Insurance Company; 3) authorize Gallagher Benefit Services as the agent; 4) direct staff to conduct a Request for Qualification specifically to select a Group Benefits Broker and Consultant; and, 5) authorize the City Manager or his designee to negotiate and execute the necessary documents required to complete the transaction, subject to approval from the City Attorney as to form and legality.

**Alternative Recommendation B:**

The City Commission: 1) authorize the selection of Sun Life Assurance Company as the carrier for specific stop loss insurance for calendar year 2006; 2) authorize issuance of a purchase order in an amount sufficient to cover applicable charges for specific stop loss Sun Life Assurance Company; 3) authorize Hilb, Rogal and Hobbs as the agent; and, 4) authorize the City Manager or his designee to negotiate and execute the necessary documents required to complete the transaction, subject to approval from the City Attorney as to form and legality.

Fiscal Note: This alternative will cost the Employee Health and Accident Benefits Fund between \$136,000 and \$297,000 for calendar year 2006.