



Legislation Text

File #: 160595., Version: 1

Continuation of Blue Cross Blue Shield of Florida, Inc (Florida Blue) as the provider of Specific Stop-Loss Carrier for the City Group Health Plan (B)

This item involves a request for the City Commission to approve the continuation of Blue Cross Blue Shield of Florida, Inc. as the provider through their subsidiary, High Mark Insurance, of specific stop-loss insurance for the City's Group Health Plan and modify the Stop-loss attachment point and broaden the coverage.

The City maintains a self-funded health plan for its employees, retirees and their family members. The health plan utilizes a risk transfer tool to mitigate the impact of large claims. Specific Stop-Loss insurance is the risk transfer tool that the group health plan utilizes to cover the cost of large claims. Under a specific stop-loss policy, the City's group health plan is responsible only for a fixed dollar amount of a covered members annual claims costs, after that specified amount has been paid, all subsequent claims costs are reimbursed to the City.

Florida Blue was awarded the stop-loss business for three years beginning with Plan Year beginning January 1, 2015. Under current purchasing policies, if the annual cost rises more than 10%, the City Commission will have to approve the new pricing. After a very modest renewal in 2016 of around two percent, the City's health plan suffered an adverse claims year that necessitated a significant rate increase of 37%. When the premium notice was sent, staff asked for alternative deductibles and asked Florida Blue to look at the City's loss ratio to date and the projected claims for the remainder of this year and into next plan to determine if the policy parameters were sufficient to protect the health plan.

Currently, the City has a 12/12 contract for stop loss insurance. This means that a claim must be incurred and paid within the policy period. Given the plan's expected claims and those that are maturing during the last quarter, it would be in the best interest of the plan to expand the incurred period to 24 months. This means that any claims incurred within the last 24 months and paid during the 2017 plan year would be credited to the stop loss attachment point. This is broader coverage than the current policy and since the incurred period is significant longer than current, it is staff's belief that increasing the stop loss deductible to \$300,000 to help offset the additional cost is in the plan's long-term best interest. Similar self-insured plans of our size tend to have deductibles in the \$350,000 - \$500,000 range. Even with these modifications the premium would still increase the premium by approximately thirty percent (30%).

There are currently three identified claims whose current projected cost for plan year 2017 are estimated at or above the \$350,000 and increasing the incurred period will likely broaden the number of paid claims in 2017 that will exceed the deductible.

It is staffs belief that it is necessary to continue to purchase specific stop loss insurance to protect the City's health plan against large claims. Given the underwriter's projections and recommendation, it is also staff's belief that increasing the incurred period to 24 months is in the plan's best interest. In an effort to reduce the premium cost, the plan should increase the deductible to \$300,000 per member claims.

Funds of approximately \$900,000 are included for specific stop-loss insurance are included in the 2017 EHAB fund budget.

The City Commission: 1)approve the specific stop loss coverage with a 24/12 benefit look back period and a \$300,000 deductible as offered by Florida Blue with for the plan year beginning January 1, 2017, ; 2) authorize issuance of a purchase orders in an amount sufficient to cover applicable charges for the policy and 3) authorized the City Manager to execute the document necessary to complete the purchase subject to approval of the City Attorney as to form and legality.