



Legislation Text

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Extension 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 Insurance Company to provide the City's Group Health Plan with Specific Stop-Loss Insurance for claims in excess of \$160,000.

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.

The City initiated an Request for Proposals last year for this insurance product that allowed for the City to renew with Symetra, as proposed by Gallagher Benefit Services, based upon acceptability of cost, coverage, service, provider stability, and market conditions. Symetra has provided the City with its renewal terms. The terms include: maintaining the current rate, increasing the attachment point to \$160,000 and increasing the maximum lifetime benefit to \$4.85 million per member. These renewal terms will cover the City's entire exposure on catastrophic claims. The Health Plan currently allow for a lifetime maximum benefit of \$5 million; however, the current stop loss lifetime cap is \$1.85 million per person, therefore, creating a potential liability to the Health Plan of over three million dollars. With current medical trends reported between seven and nine percent, the Symetra renewal as proposed by Gallagher Benefits Services appears to be in the best interest of the City and its Group Health Plan.

The other key component on the Symetra product is the retro-spective premium option. A retro-spective premium acts as a gain/loss sharing program between the insured and the carrier. This option allows the City to pay a lower premium upfront and only requires additional premium (up to the cap) if certain loss ratios are obtained. The City has taken advantage of this arrangement for the last six years and the result of this unique premium option saved the Group Health Plan approximately \$145,000 in premiums compared to the maximum premium. When compared with the next lowest alternative from the previous bid process, the retro-spective premium arrangement will net the Group Health Plan approximately \$324,000. The additional cost of \$324,000 would equate to an additional premium increase in our Health Plan of two percent.

In addition, the City negotiated removal of all commissions from the premiums and agreed to a fixed fee of \$30,000 for the placement and servicing of this policy. The negotiated fee is approximately \$24,000 lower than the commission customarily paid on these products. Gallagher Benefits Services has agreed to continue the fee arrangement as negotiated.

Based on current enrollment, the estimated cost is \$371,000 for this insurance and these funds have been budgeted in the Employee Health and Accident Benefits (EHAB) Fund and the cost of this coverage is included in the 2007 health insurance rates.

The City Commission: 1) authorize the renewal of Symetra Life Insurance Company as the carrier for specific stop loss insurance for plan 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 Benefits 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 Benefits Services as the agent; 4) direct staff to conduct an 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.