



Legislation Text

File #: 130866., **Version:** 1

Final Extension of Symetra Specific Stop-Loss Insurance for the City's Group Health Plan (B)

This item specifies the current pricing and terms of the City's Specific Stop-Loss Policy.

The City utilized a competitive bid process to award administrative services and specific stop-loss insurance for the City's self-funded group health plan. While it is standard for the City to request multi-year cost commitment from service providing vendors, it is not standard for an insurance product to provide multi-year pricing. Stop-Loss insurance is used as a risk transfer tool to help mitigate the impact of large claims on the City's annual health insurance rates. In absence of this risk-transfer tool, an additional six and one-half percent increase would have to have been included in the City's health insurance premiums for the current plan year.

Rating of specific stop-loss insurance is market based and takes into account such factors as medical inflation and the insured loss ratio. Due to the recent poor performance of the City's loss ratio, 204% in the plan year ended December 31, 2013, the rate increase makes the current cost greater than 10% of the original quote from 2009. Based on the City's purchasing policy and input from the City Attorney's office, staff is providing the current pricing to the City Commission for the current policy year. This policy has a special provision that allows the City to pay a lower initial premium with a retrospective adjustment based on the policy year losses with an annual maximum premium. This is similar to a gain sharing arrangement. The estimated range of premium cost is between \$640,000 - 950,000 depending on enrollment and policy year losses. For policy year 2013, the plan received over \$1.3 million in cost reimbursements under the policy.

Funds necessary to cover the cost of the policy have been built into the 2014 premiums and is available in the Employee Health and Accident Benefit Fund.

The City Commission: 1) approve the final extension for Stop-loss insurance with Symetra Life Insurance Company; 2) authorize the issuance of a purchase order in an amount sufficient to pay the policy premiums; and 3) authorize the City Manager or his designee to execute the necessary documents to effectuate the final extension, subject to the approval of the City Attorney as to form and legality.