



MEMORANDUM

To: Mayor and City Council

From: Matia Messemer, Director of Employee Experience

Date: September 26, 2023

Reference: Consider approval of a contract for Medical Stop Loss Insurance to Liberty Mutual Insurance Company through SA Benefit Services, in the amount of \$428,173.20, as budgeted in FY 23-24; and authorizing the City Manager to sign any necessary documents.

2040: Sustainable Government

Introduction:

This item is presented to consider approval of a contract for Medical Stop Loss Insurance to Liberty Mutual Insurance Company through SA Benefit Services, in the amount of \$428,173.20.

Background:

The City's current health plan expenses performed fairly when compared to previous years. However, the Stop Loss Coverage, which is a fixed cost, is a very volatile annual expense that is determined based on extraordinary and unexpected large claims that are difficult to project. This is the case for most large, self-funded employers. The typical expected annual increase for this insurance coverage is +15% to +20% annually.

The renewal for medical stop loss insurance is 6.83% above current fixed fees, and 12.52% above current maximum liability, which is below the market average increase of 15% to 20%. The expected annual premium for this coverage is \$428,173.20 based on current headcount. The City opted to pursue renewal at the same stop loss insurance levels as the current year. The incremental premium savings of changing the level would not be worth the additional claims cost risk. The renewal does include one laser in the amount of \$400,000 for the plan year 2023-2024.

The City's medical plan is a self-insured plan, meaning that all claims incurred by employees and dependents are paid directly from the City's Medical Self-Insured Fund. The purchase of medical stop loss insurance protects the City's fund from paying catastrophic claims over a certain amount to better manage volatility from large claims which effects overall increases to the group overall, which is common for self-funded employers. Self-funded employers benefit by avoiding certain mandated

benefits, fully insured taxes, and experience improved cash flow which saves the plan in costs vs. being fully insured.

Benefit to the Community:

Approval of this item minimizes the risk of catastrophic claim costs to the Medical Self-Insured Fund.

Legal Review:

N/A

Fiscal Impact:

The fiscal impact of this agenda item is approximately \$428,173.20, funded through the Self-funded Health Fund.

Recommendation:

The Employee Experiences Department recommends approval of this item.