



MEMORANDUM

To: Mayor and City Council

From: Vivyon V. Bowman, Director of Administration and Human Resources

Date: September 4, 2019

Reference: Approval of the Purchase of Medical Stop Loss Insurance for the City's Self Insurance Fund

2030: Top Quality City Workforce

Introduction:

Consider approval of the renewal contract with Tru Services, a Liberty Mutual Company for medical group excess loss insurance in the amount of \$ \$415,803.60 as budgeted and authorizing the City Manager to sign all necessary documents.

Analysis:

The City's current health plan claims has ran well compared to previous years. Due to this, the stop loss renewal was favorable, and did not warrant a request for proposal, as advised by the Holmes Murphy, City's Benefits Consultants. The City's insurance committee is recommending the renewal of stop loss insurance with Tru Services, a Liberty Mutual company.

The renewal of +17.85% was received by the City and Holmes Murphy, which is within the market average increase of 15-20%. The original budget estimate was for +20%. The expected annual premium for this coverage is \$415,803.60 based on current insured member count.

The Tru Services offer does not include lasers for the proposed plan year. A laser is defined as the practice of assigning a higher specific deductible for an individual with a known condition that is likely to exceed the current coverage specific deductible of \$125,000.00. As you can see below, although annual cost was lower last year (\$ 331,861.92), Tru Services recommended three lasers that would have required the City's fund to pay in excess of the specific stop loss deductible for three employee claims for a up to an additional \$900,000 to \$1,400,000.00. A description of

last year's lasers included in the Tru Services quote based upon employee large claims conditions was as follows:

- Laser #1: \$200,000 level for all claims incurred and paid in 12 months
- Laser #2: \$200,000 level for all claims incurred and paid in 12 months
- Laser #3: \$500,000 level for all claims incurred and paid in 12 months, or \$1,000,000 if member completes CAR-T-cell therapy.

The City's medical plan is 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. Why Self-funded versus being fully insured? 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.

Legal Review:

The medical stop loss insurance is a purchased insurance product that required no legal review.

Fiscal Impact:

The cost of the medical stop loss insurance is budgeted in the City's Medical Self Insurance Fund.

Recommendation:

The City Staff recommends approval of the purchase of medical stop loss insurance from Tru Services, a Liberty Mutual company.