



MEMORANDUM

To: Mayor and City Council

From: Justin Vaughn, Assistant Director of Human Resources

Through: Vivyon V. Bowman, Director of Human Resources

Date: September 16, 2020

Reference: Award of RFP# 176 for Medical Stop Loss Insurance to Tru Services

2030: Top Quality City Workforce

Introduction:

Consider approval of awarding a Request for Proposal (RFP #176) for Medical Stop Loss Insurance to Tru Services in the amount of \$448,553.00, as budgeted in FY 20-21; and authorizing the City Manager to sign any necessary documents.

Analysis:

The City's current health plan expenses performed well 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 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. This is due to the presence of unlimited Lifetime plan maximums, and expensive drug treatments. Because of these factors, the City's Procurement department initiated an RFP (RFP #176) to find more competitive bids if they were available. There were a total of two responses. This process paid off as the competitive bidding resulting in a reduced renewal amount than was projected. The City's insurance committee is recommending the renewal of stop loss insurance with Tru Services, a Liberty Mutual company.

The renewal of +2.3% was received by the City and Holmes Murphy, which is below the market average increase of 15% to 20%. The original budgeted amount was for +20%. The expected annual premium for this coverage is \$448,553 based on current headcount.

Tru Services offer does not include lasers for the proposed plan year.

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, 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.

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.