



MEMORANDUM

To: Mayor and City Council

From: Justin Vaughn, Assistant Director of Administration and Human Resources

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

Date: September 28, 2021

Reference: Approval of the Purchase of Medical Stop Loss Insurance

Introduction:

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. The City's insurance committee is recommending the renewal of stop loss insurance with Tru Services, a Liberty Mutual company.

Analysis:

The renewal of -3.95% was received by the City and Holmes Murphy, which is below the market average increase of 15% to 20%. The original budgeted was for +20%. The expected annual premium for this coverage is \$409,479 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 renewal of medical stop loss insurance from Tru Services, a Liberty Mutual company.