



City of San Antonio

Agenda Memorandum

File Number:18-2087

Agenda Item Number: 16.

Agenda Date: 3/1/2018

In Control: City Council A Session

DEPARTMENT: Human Resources

DEPARTMENT HEAD: Lori Steward

COUNCIL DISTRICTS IMPACTED: City-wide

SUBJECT:

Stop Loss Insurance Policy

SUMMARY:

This ordinance authorizes the City Manager or her designee to approve execution of the application to HM Life Insurance Company for the purchase of a Stop Loss Insurance Policy to cover City civilian employees, non-Medicare eligible civilian retirees, uniformed employees, and their dependents who are covered under the City's medical insurance plans. The purpose of the policy is to protect the City from catastrophic claims expenses. The term of this policy is for claims incurred since December 1, 2017, but paid during the ten (10) months beginning March 1, 2018 and ending December 31, 2018.

BACKGROUND INFORMATION:

The City of San Antonio offers seven self-insured medical benefit plans to approximately 26,000, civilian employees, uniformed employees, non-Medicare eligible retired civilian employees, and dependents. The adopted budget to cover expenses for medical and pharmacy claims for FY 2018 is approximately \$136,000,000.

Stop-loss insurance is a risk-mitigation product that provides protection for self-insured employers such as the City of San Antonio. Without stop-loss insurance, the self-insured employer is responsible for the full cost of any catastrophic claim. With stop-loss insurance, employers receive reimbursement for payments made for claimants in excess of pre-determined deductible levels such as \$500,000 or \$1,000,000.

A study by insurance company Sun Life found that the number of million-dollar plus claimants increased by 68% during a four year study period of 2013 to 2016. The City's Benefits Consultant, Gallagher, has seen catastrophic claims over the past two years in their Texas book of business ranging from \$2 million to \$14 million. Additionally, Human Resources staff attending a Texas HR conference last year heard from a smaller Texas city that had experienced a \$12 million catastrophic claim.

The City's Benefits Consultant, Gallagher, on behalf of the Human Resources Department released a Request for Proposal (RFP) seeking bids from qualified Respondents interested in providing Stop Loss Insurance. The RFP was advertised in the San Antonio Legal News, dba the Hartbeat on January 26 and February 2. Three bids were received by the February 14, 2018 deadline. The Evaluation Committee included representatives from Gallagher and City staff.

The evaluation of each proposal response was based on the following:

- purchase price,
- reputation and quality of vendor and vendor's goods and services,
- extent to which goods or services meet the City's needs, and
- any other relevant factor listed in the RFP.

Gallagher recommended the selection of HM Life Insurance Company to provide a stop loss policy covering paid claims incurred since December 1, 2017 and paid during the 10 month policy period with a \$1,000,000 deductible level

ISSUE:

The City of San Antonio has been fortunate not to have a history of million-dollar medical claims. The recent experiences of other Texas self-insured employers, however, illustrate the benefit of risk mitigation. Stop loss insurance mitigates the risk to the City's Employee Benefit Insurance Fund of these large catastrophic claims.

ALTERNATIVES:

Should the execution of the application for stop loss coverage not be approved, it will result in the City assuming the full risk of catastrophic claims that could have serious negative financial implications to the Employee Benefit Self-Insurance Fund.

FISCAL IMPACT:

This ordinance authorizes the execution of the application to HM Life Insurance Company for the purchase of a Stop Loss Insurance Policy to cover City civilian employees, non-Medicare eligible civilian retirees, uniformed employees, and their dependents to protect the City from catastrophic claim expenses. The cost of the Stop Loss Insurance Policy is \$6.75 per employee per month (based on 10,498 employees) for an estimated annual cost of \$708,615. Funds for this policy are included in the FY 2018 Adopted Budget.

RECOMMENDATION:

Staff recommends approval to execute the application to purchase a Stop Loss Insurance Policy to cover City civilian, non-Medicare eligible civilian retirees, uniformed employees, and their dependents that are covered

under the City's medical insurance plans.