



City of San Antonio

Agenda Memorandum

File Number:18-6237

Agenda Item Number: 25.

Agenda Date: 11/29/2018

In Control: City Council A Session

DEPARTMENT: Human Resources

DEPARTMENT HEAD: Lori Steward

COUNCIL DISTRICTS IMPACTED: City-wide

SUBJECT:

Stop Loss Insurance Policy Renewal

SUMMARY:

This ordinance authorizes the City Manager or her designee to approve execution of the renewal with HM Life Insurance Company for the purchase of a Stop Loss Insurance Policy to cover claims incurred by City civilian employees, non- Medicare eligible civilian retirees, uniformed employees, and their dependents who are enrolled in the City's medical insurance plans. The purpose of the policy is to protect the City from catastrophic claims expenses. The new term of this policy is for claims incurred since December 1, 2017, but paid during the twelve (12) months beginning January 1, 2019 and ending December 31, 2019.

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 their dependents. The adopted budget to cover expenses for medical and pharmacy claims for FY 2019 is approximately \$134,000,000.

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 City 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.

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 heard from a smaller Texas municipality that had experienced a \$12 million catastrophic claim.

HM Life Insurance provided costs for stop loss insurance for deductible levels above \$1,000,000, \$1,100,000, and \$1,250,000. In reviewing the total impact to the City, Gallagher recommended renewing with HM Life Insurance Company to provide a stop loss policy covering paid claims incurred since December 1, 2017 and paid in 2019 with a \$1,100,000 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 renewal 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 renewal of the stop loss insurance policy with HM Life Insurance Company to cover claims incurred by 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 \$6.54 per employee per month (based on 10,518 employees) for an estimated annual cost of \$825,453. Funds for this policy are included in the Employee Benefits Insurance Fund FY 2019 Adopted Budget.

RECOMMENDATION:

Staff recommends approval to renew the Stop Loss Insurance Policy HM Life Insurance Company with a \$1,100,000 deductible to cover claims incurred by City civilian, non-Medicare eligible civilian retirees, uniformed employees, and their dependents that are covered under the City's medical insurance plans. The new term of this policy is for claims incurred since December 1, 2017, but paid during the twelve (12) months beginning January 1, 2019 and ending December 31, 2019.