City of San Antonio

Agenda Memorandum

File Number: 19-8444

Agenda Item Number: 27.

Agenda Date: 12/5/2019

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 his designee to approve execution of the renewal with HM Life Insurance Company for a Stop Loss Insurance Policy that will cap the City's risk on 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 12 months beginning January 1, 2020 and ending December 31, 2020.

BACKGROUND INFORMATION:

The City of San Antonio offers nine 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 2020 is over $136 million.

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 member claims over the past three years

within their Texas book of business ranging from $2 million to $14 million. Member claims in excess of $1 million continue to increase significantly year over year.

HM Life Insurance Company provided cost estimates for stop loss insurance for deductible levels at $1,100,000 and $1,200,000. 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 2020 with a $1,200,000 deductible level.

ISSUE:

The City of San Antonio is fortunate to not have a history of million-dollar member medical and pharmacy claims. It is projected that the City will have a one million dollar claim by the end of 2019. The recent experiences of other Texas employers' self-insured plans illustrate the benefit of risk mitigation. Stop loss insurance mitigates the risk to the City's Employee Benefit Insurance Fund of these large catastrophic member 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 $6.12 per employee per month (based on 10,856 covered employees) for an estimated annual cost of $797,265. Funds for this policy are included in the Employee Benefits Self-Insurance Fund FY 2020 Adopted Budget.

RECOMMENDATION:

Staff recommends approval to renew the HM Life Insurance Company Stop Loss Insurance Policy with a $1,200,000 deductible to cap the City's risk on 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 and paid during the twelve (12) months beginning January 1, 2020 and ending December 31, 2020.