



AGENDA MEMORANDUM

Action Item for the City Council Meeting September 3, 2024

DATE: September 3, 2024

TO: Peter Zanoni, City Manager

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Service Agreement for Stop Loss Insurance

CAPTION:

Motion authorizing a one-year service agreement with Blue Cross Blue Shield of Texas, of Richardson, Texas, for stop loss coverage for the City's self-funded employee health benefit plans from October 1, 2024, through September 30, 2025, with funding from the proposed FY 2025 budget for an estimated amount of \$2,436,190.00 payable from the Police, Fire, and Civilian health benefit funds.

SUMMARY:

This motion authorizes a one-year service agreement with Blue Cross Blue Shield of Texas, to provide stop loss insurance for the City of Corpus Christi for FY 2025.

BACKGROUND AND FINDINGS:

Under the Affordable Care Act, health plans hold unlimited claims liability. Stop loss coverage is reinsurance for the City's health plans to mitigate the City's claims risk by capping the City's maximum cost per claimant at \$300,000 for the plan year. Once the City has paid a \$300,000 deductible per claimant in the plan year, then the stop loss insurance begins reimbursing the City for claims over that deductible.

Stop loss insurance is a premium-based, fully insured plan. Premiums are charged per employee per month (PEPM) for each month an employee is enrolled in the health plan. The current fiscal year premiums are \$66.71 PEPM, for a Stop Loss Policy with a \$300,000 deductible per member in the plan year. Once the City has paid more than \$300,000 in medical and pharmacy claims for a plan member, the City is then eligible to submit its own claim under the stop loss insurance policy. At that point we receive reimbursement for anything over \$300,000 for the respective plan member. The stop loss provides the ceiling for the max amount the City will pay for claims in the plan year for any member.

Over the past five years, the City has averaged 10 high cost claimants per fiscal year. For FY 2024, the City has eight high cost claimants as of June 30, 2024. The total year-to-date claims amount for the eight high-cost claimants is approximately \$8.03 million. Based off that figure, staff estimates that through the end of FY 2024, the total claims amount that the City would have to pay for the eight high-cost claimants if the City did not carry stop loss insurance would roughly be \$10.7 million.

The City is utilizing the stop loss insurance and has received \$4,855,228 in claims reimbursements through June of the current plan year (July, August, and September are still outstanding on claims reimbursements for the current plan year). This mitigates the impact of medical and pharmacy expenditures for high-cost claimants that have exceeded the \$300,000 deductible.

The table below summarizes a comparison of stop loss versus no stop loss for the claims received by the City this year as of June 30, 2024.

Type	With Stop Loss	Without Stop Loss
Aggregate Claims > 300K	\$8,034,415	\$8,034,415
Stop Loss Reimbursement	(\$4,855,228)	-
Net Claims	\$3,179,187	\$8,034,415

The City of Corpus Christi has retained HUB International to provide analysis and recommendations for its health and welfare benefit plans. After analysis of specific deductible alternatives, claims liability, and pricing the ultimate recommendation is for the specific deductible to remain at \$300,000 with a carrier change.

The current agreement for stop loss insurance is with Stealth Partners Group, LLC and Sun Life. The current agreement is for one year for an estimated amount of \$2,463,012.00. The current agreement will expire on September 30, 2024.

PROCUREMENT DETAIL:

A Request for Proposal was issued for a new stop loss reinsurance contract. The City received five proposals which were evaluated by the City's evaluation committee and health benefits consultant firm. The evaluation committee was comprised of scoring members, with representation from the Fire Department, Police Department, Finance and Human Resources Department. The evaluation committee rated each responsive proposer and was scored according to 1) Cost 2) Financial Stability 3) Claims Processing 4) Past performance and Communication.

Scores were tabulated for each firm to determine the highest-ranking firm offering the best value to the City for stop loss coverage. Consensus of the evaluation committee, interviews deemed unnecessary.

The evaluation committee determined that with the scoring gap between the top-rated firm, Blue Cross Blue Shield of Texas (BCBSTX), and the second highest scoring firm, Swiss Re/Stealth, the interview points would hold no impact on the committee's scoring outcome.

BCBSTX has consistently provided timely and effective claims processing, reporting, resolutions, and has developed a positive and beneficial working relationship with the City's benefits team and City employees. The City has conducted past and current business with BCBSTX. BCBSTX has previous experience providing Stop Loss to the City in FY 2022. BCBSTX is the City's Third-Party Administrator for medical and dental benefits.

The City is recommending Blue Cross Blue Shield of Texas for award. The recommended vendor submitted the most competitive and highest-ranking proposal with per employee per month

(PEPM) of \$66.21 and additional credits allows the City cost savings of 1.96% or \$48,624 from FY 2024. BCBSTX is offering the lowest cost to the City.

	Stealth/Sun Life FY 2024	BCBSTX FY 2025	Variance %	Dollar Savings
Annual Premium Total	\$2,484,814	\$2,436,190	1.96%	\$48,624

The current vendor for the City's stop loss is not among the top scoring firms due to a PEPM increase to \$97.83, which is a \$31.12 increase over the current rate. This is a total increase of 46.65% of added premium and is equivalent to \$1,159,158.00 in additional cost.

ALTERNATIVES:

The City may choose to not purchase Stop Loss Coverage. However, under the Affordable Care Act, health plans hold unlimited claims liability and that becomes the responsibility of the City to pay. Stop loss coverage is reinsurance for the City's health plans to mitigate the City's claims risk by capping the City's maximum cost per claimant at \$300,000 for the plan year.

FISCAL IMPACT:

There will be no fiscal impact for the FY 2024 year for this agreement. The funding has been included in the proposed FY 2025 Operating Budget through the various City employee health funds for the estimated contract value of \$2,436,190.00.

FUNDING DETAIL:

Fund: 5608 EmpHth Fire
 Organization/Activity: 40606 Fire CDHP
 Accounts: 537385 Stop Loss Premium-Active
 537386 Stop Loss Premium-Retiree
 Amount: \$426,333

Fund: 5609 EmpHth Police
 Organization/Activity: 40605 Police CDHP
 Accounts: 537385 Stop Loss Premium-Active
 537386 Stop Loss Premium-Retiree
 Amount: \$401,971

Fund: 5610 EmpHth Citicare
 Organization/Activity: 40600 Citicare
 Accounts: 537385 Stop Loss Premium-Active
 537386 Stop Loss Premium-Retiree
 Amount: \$548,143

Fund: 5610 EmpHth Citicare
 Organization/Activity: 40601 Citicare CDHP

Accounts:	537385	Stop Loss Premium-Active
	537386	Stop Loss Premium-Retiree
Amount:	\$1,059,743	

Total: \$2,436,190

RECOMMENDATION:

Staff is recommending that the City execute a one-year service agreement with Blue Cross Blue Shield of Texas, of Richardson, Texas, for award of the stop loss coverage, as presented.

LIST OF SUPPORTING DOCUMENTS:

Evaluation Matrix
Service Agreement