



AGENDA MEMORANDUM

Action Item for the City Council Meeting August 23, 2022

DATE: August 23, 2022

TO: Peter Zaroni, City Manager

FROM: Eyvon McHaney, Director of Human Resources
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Service Agreement for Stop Loss Insurance

CAPTION:

Motion authorizing a one-year service agreement with Summit Risk Advisors, LLC., dba SA Benefit Services, for stop loss coverage for the City's self-funded employee health benefits from October 1, 2022, through September 30, 2023, with funding from the proposed FY 2023 Operating Budget for an estimated amount of \$2,496,000.00 payable from various City employee health funds.

SUMMARY:

This motion authorizes a one-year service agreement with Summit Risk Advisors, LLC., dba SA Benefit Services, to provide stop loss insurance for the City of Corpus Christi.

BACKGROUND AND FINDINGS:

The current contract for stop loss insurance is with BlueCross and BlueShield of Texas, a Division of Health Care Service Corporation. The agreement with BlueCross and BlueShield of Texas is a one-year contract that will expire on September 30, 2022.

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, 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. During Fiscal Year (FY) 2022, premiums were \$90.79 PEPM for a Stop Loss Policy with a \$250,000 deductible per claimant in the plan year that is the responsibility of the City to pay. The City pays all of the medical and pharmacy claims paid for each plan member. Once the City has paid more than \$250,000 in

medical and pharmacy claims for one plan member, the City is then eligible to submit its own claim under the stop loss insurance policy to receive reimbursement for claims paid in excess of \$250,000 for that member. This same process will apply to the proposed agreement with Summit Risk Advisors, LLC., dba SA Benefit Services, except the deductible will be raised to \$300,000.

This year, Summit Risk Advisors, LLC., dba SA Benefit Services, submitted the most competitive bid of \$66.18 PEPM for a Stop Loss Policy with a \$300,000 deductible, which is a decrease of 27.11% or \$533,688 from this fiscal year's premium. Over the past five years, the City has averaged 10 claimants per year in excess of \$250,000. If the City experiences 10 or fewer claimants in FY 2023, the City will realize a net savings by moving to a \$300,000 deductible. Each claimant that exceeds \$250,000 in claims will reduce the net savings realized by up to \$50,000, the difference between the \$250,000 and \$300,000. If 10 claimants exceed \$300,000 in claims, the City's savings would be reduced from \$533,688 to \$33,688. 11 claimants exceeding \$300,000 in claims would result in a loss of \$16,312.

Summit Risk Advisors, LLC., dba SA Benefit Services, previously provided Stop Loss Insurance services for the City of Corpus Christi in FY 2019. They provided excellent service. The Request for Proposal committee evaluated all aspects of the company's current capabilities, which accounted for 50 of the possible points in this award.

PROCUREMENT DETAIL:

A Request for Proposal was issued for a new stop loss reinsurance contract. The City received three proposals which were evaluated by the City's evaluation committee and health benefits consultant. The evaluation committee was comprised of four members, with representation from the Fire Department, Police Department, and Human Resources Department. Final scores were tabulated for each firm to determine the highest-ranking firm offering the best value to the City for stop loss coverage.

The City is recommending Summit Risk Advisors, LLC., dba SA Benefit Services, for award. Summit Risk Advisors, LLC., dba SA Benefit Services, was deemed the lowest, responsive and responsible bidder. The recommended vendor, Summit Risk Advisors, LLC., dba SA Benefit Services, submitted the most competitive bid of \$66.18 PEPM for a Stop Loss Policy with a \$300,000 deductible, which is a decrease of 27.11% or \$533,688 from this fiscal year's premium.

The current vendor is BlueCross and BlueShield of Texas. However, in 2019, the City used Summit Risk Advisors, LLC., dba SA Benefit Services, for stop loss insurance. They provided excellent service at that time and the City expects the same level of service for the proposed one-year agreement. Both the City and HUB have had positive experiences with Summit Risk Advisors, LLC., dba Benefit Services.

ALTERNATIVES:

The City may choose to not purchase Stop Loss Coverage and retain the unlimited claims liability for the health plans. However, 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.

FISCAL IMPACT:

There will be no fiscal impact for the Human Resources Department in FY 2022 for this agreement. The funding has been included in the FY 2023 Operating Budget through the various City employee health funds for the estimated contract value of \$2,496,000.00.

FUNDING DETAIL:

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|------------------------|--------------|--|
| Fund: | 5608 | EmphHth Fire |
| Organization/Activity: | 40602 | Citicare - Fire |
| Mission Element: | 213 | Develop and manage health and benefits program |
| Project # (CIP Only): | N/A | |
| Accounts: | 537385 | Stop Loss Premium-Active |
| | 537386 | Stop Loss Premium-Retiree |
| Amount: | \$182,000.00 | |

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|------------------------|--------------|--|
| Fund: | 5608 | EmphHth Fire |
| Organization/Activity: | 40606 | Fire CDHP |
| Mission Element: | 213 | Develop and manage health and benefits program |
| Project # (CIP Only): | N/A | |
| Accounts: | 537385 | Stop Loss Premium-Active |
| | 537386 | Stop Loss Premium-Retiree |
| Amount: | \$243,000.00 | |

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|------------------------|--------------|--|
| Fund: | 5609 | EmphHth Police |
| Organization/Activity: | 40605 | Police CDHP |
| Mission Element: | 213 | Develop and manage health and benefits program |
| Project # (CIP Only): | N/A | |
| Accounts: | 537385 | Stop Loss Premium-Active |
| | 537386 | Stop Loss Premium-Retiree |
| Amount: | \$399,000.00 | |

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|------------------------|--------------|--|
| Fund: | 5610 | EmphHth Citicare |
| Organization/Activity: | 40600 | Citicare |
| Mission Element: | 213 | Develop and manage health and benefits program |
| Project # (CIP Only): | N/A | |
| Accounts: | 537385 | Stop Loss Premium-Active |
| | 537386 | Stop Loss Premium-Retiree |
| Amount: | \$888,000.00 | |

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|------------------------|--------------|--|
| Fund: | 5610 | EmphHth Citicare |
| Organization/Activity: | 40601 | Citicare CDHP |
| Mission Element: | 213 | Develop and manage health and benefits program |
| Project # (CIP Only): | N/A | |
| Accounts: | 537385 | Stop Loss Premium-Active |
| | 537386 | Stop Loss Premium-Retiree |
| Amount: | \$784,000.00 | |

Total: \$2,496,000.00

RECOMMENDATION:

Staff is recommending that the City execute a service agreement with Summit Risk Advisors, LLC., dba SA Benefit Services, for award of the stop loss coverage, as presented.

LIST OF SUPPORTING DOCUMENTS:

Evaluation Matrix
Service Agreement