



AGENDA MEMORANDUM

Action Item for the City Council Meeting September 15, 2020

DATE: September 15, 2020

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 an amendment to the Service Agreement with Blue Cross and Blue Shield of Texas, a Division of Health Care Service Corporation, to add stop loss coverage for the City's self-funded employee health benefits, beginning October 1, 2020 to September 30, 2021, with the option to renew for two additional one-year terms; in the estimated amount \$2,370,060.00 for the first year and a potential expenditure of an estimated \$8,320,231.00 if both option years are exercised, with funding requested in the FY 2021 Proposed Budget in an estimated amount of \$2,370,060.00 through the Fire, Police and Citicare Employee Health Funds.

SUMMARY:

This motion authorizes an addition to the current agreement with BlueCross BlueShield of Texas to provide stop loss insurance. Stop loss coverage is reinsurance for the City's health plans in order to mitigate the City's claims risk. The actual cost is based on annual claims.

BACKGROUND AND FINDINGS:

Stop loss coverage is reinsurance for the City's health plans, which under the Affordable Care Act hold unlimited claims liability. Once the City has paid \$250,000.00 for a claimant in one plan year, the stop loss insurance begins reimbursing the City for expenses over that amount for that claimant. This benefit is for City employees, including both Fire and Police labor groups. The contract value based on the proposal submission is estimated

at \$2,370,060.00, for October 1, 2020 – September 30, 2021, based on the average number of lives in the plan, this can vary. Due to the uncertainty of average number of lives in the plan through the year, the City would like to secure an amount not to exceed \$8,320,291.00 for the three-year contract. The actual cost is based on annual claims; therefore, the City is estimating a 15% annual increase established from previous history of this type of coverage.

The current contract for stop loss insurance is with Stealth Benefit Solutions, LLC, dba Stealth Partner Group and Sun Life Assurance Company of Canada, whom was one of the two firms considered for evaluation. This is a one-year contract that is expiring September 30, 2020.

A Request for Proposal was issued to start the process for a new contract. The City received two proposals. The evaluations of the proposals began by the City's evaluation committee and health benefits consultant. The evaluation committee was comprised of four members, with representation from Fire, Police and Human Resources. The City considered both firms as finalist, and no interviews were conducted. The proposals were evaluated, and final scores were tabulated for each firm to determine the highest-ranking firm offering the best value to the City for stop loss coverage. Staff is recommending BlueCross BlueShield of Texas for award of the stop loss coverage. BlueCross Blue Shield of Texas proposed at 8.15% below current provider, with projected reduction in cost of \$200,863.00 in comparison to a 26.25% above current cost. Staff is recommending BlueCross BlueShield of Texas for award of the stop loss coverage. The estimated first year cost savings from selecting BlueCross BlueShield of Texas over the current provider is \$883,691.00

ALTERNATIVES:

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

FISCAL IMPACT:

There will be no fiscal impact for the Human Resources Department in FY 2020 for this agreement. The funding has been requested in the FY 2021 Proposed Budget through the Fire, Police and Citicare Employee Health Funds for the estimated value of \$2,500,000.00 for the first year of this contract. Health plan enrollment may alter the total cost.

Funding Detail:

Fund:	5608	EmpHth Fire
Organization/Activity	40602	
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
Fund:	5608	EmpHth Police

Organization/Activity	40606	
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
Fund:	5609	EmpHth Police
Organization/Activity	40605	
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
Fund:	5610	EmpHth Citicare
Organization/Activity	40600	
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
Fund:	5610	EmpHth Citicare
Organization/Activity	40601	
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

RECOMMENDATION:

Staff recommends approval of this motion authorizing an updated ASO-BPA with BlueCross BlueShield of Texas for stop loss insurance as presented.

LIST OF SUPPORTING DOCUMENTS:

Evaluation Matrix
Service Agreement
Presentation