City Council Agenda Memo



City Council

Meeting Date: 12/04/14

TO: David A. Vela, Interim City Manager

FROM: Ronnie C. Kidd, Managing Director for Administration

SUBJECT: Resolution Approving Stop Loss Insurance Coverage for Health Plan Year 2015

GENERAL INFORMATION:

The City of Abilene provides health and prescription insurance coverage to employees and retirees through its self-funded health plan. To insure against the loss risk of significant health claims, the City purchases stop loss insurance for each plan year. This is accomplished through a competitive bidding process with stop loss insurance carriers. The stop loss insurance provides coverage for both individual and aggregate claims above a certain level (deductible). Our current (plan year 2014) individual stop loss deductible is \$190,000 and aggregate stop loss deductible is 125% of expected claims (\$6.8 million). The stop loss insurance carriers factor the deductible levels into the quote that they provide.

SPECIAL CONSIDERATIONS:

The deadline for best and final offers (quotes) from carriers was November 25, 2014. Five carriers responded with offers, including the recently chosen third party administrator, Aetna. HCC presented the lowest cost offer, as reflected below:

Carrier	Current Yr	Aetna	<mark>HCC</mark>	Transamerica	Voya	SA Benefit Svc
Cost	\$483,561	\$831,744	<mark>\$517,824</mark>	\$577,613	\$728,525	\$567,475

FUNDING/FISCAL IMPACT:

The stop loss coverage is part of the self-insurance fund fiscal year 2015 budget. The total cost for the stop loss premium for plan year 2015 is estimated to be \$517,824. The individual stop loss deductible will remain at \$190,000 and the aggregate stop loss deductible will be 120% of expected claims (\$7.2 million).

STAFF RECOMMENDATION:

It is the recommendation of staff as well as that of Holmes Murphy and Associates, our benefits consultants, that the City accept the offer from HCC Life Insurance Company.

ATTACHMENTS

Resolution

Prepared by:		Disposition by City Council	
		□ Approved Ord/Res#	
Name Ronnie C. Kidd		□ Denied	
Title Managing Director for Administration		□ Other	
Title Managing Director for Administration	Item No. 7.5		
		City Secretary	

RESOLUTION NO						
A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF ABILENE, TEXAS APPROVING THE STOP LOSS INSURANCE COVERAGE FOR THE HEALTH PLAN OF THE CITY OF ABILENE FOR PLAN YEAR 2015.						
WHEREAS , the City of Abilene maintains a self-insured plan for the health and prescription medication claims of its employees, and						
WHEREAS , it is common industry practice to insure against the risk of large dollar claims to a self-insurance fund by the purchase of stop loss insurance coverage, and						
WHEREAS, the current stop loss coverage will expire on December 31, 2014, and						
WHEREAS, the City wishes to purchase stop loss coverage for plan year 2015, and						
WHEREAS , the City of Abilene, through its benefits consultants Holmes Murphy and Associates, has gone to the market and received competitive quotes for said coverage,						
NOW THEREFORE, BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF ABILENE, TEXAS:						
Part 1. That the stop loss insurance coverage quote most advantageous to the City was provided by HCC.						
Part 2. That the Interim City Manager is hereby authorized to execute the agreement with HCC for the provision of stop loss insurance coverage.						
ADOPTED this the 04 th day of December 2014.						
ATTEST:						

APPROVED:

T. Daniel Santee, City Attorney

Norm Archibald, Mayor

Danette Dunlap, City Secretary