

Memorandum
City of Lawrence
Human Resources Division/City Manager's Office

TO: David L. Corliss, City Manager

FROM: Lori S. Carnahan, Human Resources Manager

CC: Diane Stoddard, Assistant City Manager
Michelle Spreer, Benefits Specialist

DATE: October 9, 2013

RE: Stop-Loss Insurance 2014

The Human Resources division requests approval to proceed with contract negotiations for 2014 stop-loss coverage for the Employee Healthcare Plan with a new vendor, ING. We request the following action be placed on the October 15th or 29th City Commission agenda.

Authorize the City Manager to execute the necessary agreements with ING to provide stop-loss coverage at the current levels for the City's Employee Healthcare Plan for 2014 in the amount of \$916,110 and Cigna for interface fees in the amount of \$14,580, as recommended.

Each year the City purchases stop-loss coverage for the Employee Healthcare Plan. In January, with the approval to distribute an RFP for the health plan vendors, we indicated we would market the stop-loss coverage in September. Hays Companies on the City's behalf conducted its regular RFP process for stop-loss coverage. Nine companies responded. The incumbent Cigna and ING were the most favorable quotes. Both were given final items the City wished to have addressed before making a recommendation. ING ultimately provided the most financially favorable quote with the fewest restrictions.

The Human Resources division budgeted for a 25% increase to stop loss premiums in 2014. The recommended renewal is below budgeted parameters for both premium and maximum claim liability with a combined increase of 4.5%. We recommend approval to purchase stop-loss coverage at the current levels for the City of Lawrence Healthcare Plan for 2014 from ING for a cost of \$916,110 and pay an interface fee to Cigna of \$14,580.

Stop-loss coverage is insurance that protects employers who self-fund their health plans against catastrophic or unpredictable losses. Typically this is purchased by employers who do not want to assume 100% of the risk associated with self-funded plans. The stop-loss carrier becomes liable for losses in excess of specified limits.

Insurance companies including our current vendor Cigna presented quotes to the City and Hays Companies for Specific and Aggregate Coverage. Specific coverage insures the City for claims over a certain threshold relating to any one individual. Aggregate coverage insures the City over a certain threshold related to all claims incurred.

Requested Action

Authorize the City Manager to execute the necessary agreements with ING to provide stop-loss coverage at the current levels for the City's Employee Healthcare Plan for 2014 in the amount of \$916,110 and Cigna for interface fees in the amount of \$14,580, as recommended.

Attachment: Hays Companies Stop Loss Marketing Comparison of top two respondents.

City of Lawrence

Stop Loss Marketing Comparison

2014 Plan Year

Stop Loss Carrier	Cigna Current	Cigna Revised Renewal	Cigna Final Revised Renewal	Cigna Final Revised Renewal	ING
Specific (Individual) Stop Loss					
Specific Level	\$125,000	\$125,000	\$125,000	\$125,000	\$125,000
Contract Basis	Paid	Paid	Paid	Paid	18/12
Maximum Annual Specific Benefit	Unlimited	Unlimited	Unlimited	Unlimited	Unlimited
Lifetime Maximum per Person	Unlimited	Unlimited	Unlimited	Unlimited	Unlimited
Benefits Covered	Medical / Rx	Medical / Rx	Medical / Rx	Medical / Rx	Medical / Rx
Monthly Specific Premium Rates:	Enroll.				
Single 297	\$93.51	\$101.93	\$101.93	\$101.93	\$92.00
Family 513	\$93.51	\$101.93	\$101.93	\$101.93	\$92.00
Composite 810	\$93.51	\$101.93	\$101.93	\$101.93	\$92.00
Monthly Premium	\$75,743	\$82,563	\$82,563	\$82,563	\$74,520
Annual Premium	\$908,917	\$990,760	\$990,760	\$990,760	\$894,240
Aggregate Stop Loss					
Contract Basis	Paid	Paid	Paid	Paid	18/12
Maximum Annual Level	Unlimited	Unlimited	Unlimited	\$1,000,000	\$1,000,000
Benefits Covered	Medical / Rx	Medical / Rx	Medical / Rx	Medical / Rx	Medical / Rx
Corridor	120%	120%	120%	120%	120%
Monthly Attachment Factors:	Enroll.				
Single 297	\$ 899.07	\$ 1,006.17	\$ 962.00	\$ 962.00	\$948.66
Family 513	\$ 899.07	\$1,006.17	\$962.00	\$962.00	\$948.66
Composite 810	\$899.07	\$1,006.17	\$962.00	\$962.00	\$948.66
Maximum Claim Liability	\$8,738,960	\$9,780,010	\$9,350,640	\$9,350,640	\$9,220,975
Monthly Aggregate Premium Rate:	\$5.80	\$6.39	\$4.79	\$4.64	\$2.25
Monthly Premium	\$4,698	\$5,176	\$3,880	\$3,758	\$1,823
Annual Premium	\$56,376	\$62,111	\$46,559	\$45,101	\$21,870
Total Annual Stop Loss Premium	\$965,293	\$1,052,870	\$1,037,318	\$1,035,860	\$916,110
Premium % Change from Current		9.1%	7.5%	7.3%	-5.1%
Annual Stop Loss Interface Fee (\$1.50 PEPM)	N/A	N/A	N/A	N/A	\$14,580
Total Annual Premium / Stop Loss + Interface Fee		\$1,052,870	\$1,037,318	\$1,035,860	\$930,690
Total Claims Liability					
Maximum Annual Claims Liability	\$8,738,960	\$9,780,010	\$9,350,640	\$9,350,640	\$9,220,975
Maximum Claims + Total Stop Loss Premium	\$9,704,254	\$10,832,881	\$10,387,958	\$10,386,500	\$10,137,085
Maximum Claims & Premium Change from Current		11.6%	7.0%	7.0%	4.5%
Expected Annual Claims Liability	\$7,282,467	\$8,150,009	\$7,792,200	\$7,792,200	\$7,684,146
Expected Claims + Total Stop Loss Premium	\$8,247,760	\$9,202,879	\$8,829,518	\$8,828,060	\$8,600,256
Expected Claims & Premium Change from Current		11.6%	7.1%	7.0%	4.3%
Renewal - Lasers / Rate Caps	N/A	N/A	N/A	N/A	Quoted no lasers

Note: Cigna's charge to interface with a third party stop loss carrier is \$1.50 PEPM for \$125,000 Specific level.

Commissions Quoted:	Net	Net	Net	Net	Net
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