

Legislation Text

File #: 2998, **Version:** 1

CC MEETING: December 6, 2016

DATE: November 18, 2016

TO: Leonard Martin, City Manager

FROM: Chrystal Davis, Director, Workforce Services

Consider A **Resolution Authorizing The City Manager To Sign An Application With Cigna To Provide Stop Loss Coverage For The City's Benefit Plan** In An Amount Not To Exceed \$570,000.

BACKGROUND:

The City's health benefit program is self-funded. The City purchases Stop-Loss Coverage both at an individual and an aggregate level for cost containment purposes. The City's benefit consultant recently released a Request for Proposals for Stop Loss coverage. Proposals were received from four (4) carriers with one being our current carrier.

The City requested the specific level coverage at \$225,000 per individual but evaluated \$250,000 for potential premium savings. Based on past claims experience, the City's health fund would be at greater financial risk with the higher specific level coverage. Cigna is providing the best option at this time based on deductible pricing and coverage even with the inclusion of one laser deductible at \$500,000. A laser deductible is a higher specific stop loss deductible placed on a known high cost claimant.

FINANCIAL IMPLICATIONS:

At the current \$225,000 specific deductible level, the stop loss premium rates have received an -11.1% reduction and the annual premium cost to the City will not exceed \$570,000 for the 2017 plan year. The stop loss premium cost does not include the additional laser liability of \$275,000 that could be paid out if the high claimant exceeds \$500,000 in paid claims in the 2017 plan year. The funds for this coverage come out of the employee health trust and not the general fund.

STAFF RECOMMENDATION/ACTION DESIRED:

The staff recommends that the Cigna proposal is the best option for the City for the next plan year. Staff recommends adoption of the attached resolution authorizing the City Manager to sign an application with Cigna to provide Stop Loss coverage for the City's benefit plan.