

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 1, 2012

RE: Stop Loss Insurance 2013

Please place the following item on the consent agenda for the October 9th or 16th City Commission meeting:

Authorize the City Manager to execute the necessary agreements with Cigna to provide stop loss coverage at the current levels for the City's Employee Healthcare Plan for 2013 in the amount of \$813,553, as recommended.

Each year the City purchases stop loss coverage for the Employee Healthcare Plan. With our current provider we are able to request quotes for coverage each year. 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.

Cigna presented renewal quotes to the city and Hays Companies for Specific and Aggregate Coverage at various levels (attached). 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.

Hays did not market the stop loss vendor this year because they did not feel that a reasonable alternative would result from it. They did benchmark the premiums against survey data and other clients' renewals and based on that informal review, Hays felt the renewal offer was competitive.

The Healthcare Committee budgeted for a 25% increase to stop loss coverage in 2013; the recommended renewal is below budgeted parameters.

We recommend approval to purchase Stop Loss Coverage at the current levels for the City of Lawrence Healthcare Plan for 2013 from CIGNA as recommended for a cost of \$813,553.

Requested Action:

Authorize the City Manager to execute the necessary agreements with Cigna to provide stop loss coverage at the current levels for the City's Employee Healthcare Plan for 2013 in the amount of \$813,553, as recommended.

Attachment: Hays Companies "2013 City of Lawrence-Stop loss Renewal"

CIGNA 2013 Stop Loss Renewal

City of Lawrence

Claims Administrator Assumption		Current CIGNA	2013 Renewal Alternatives			
		CIGNA	CIGNA	CIGNA	CIGNA	CIGNA
Specific Level		\$125,000	\$125,000	\$137,500	\$150,000	\$160,000
Contract Type		Paid in 12	Paid in 12	Paid in 12	Paid in 12	Paid in 12
Lifetime Maximum		Unlimited	Unlimited	Unlimited	Unlimited	Unlimited
Annual Maximum		Unlimited	Unlimited	Unlimited	Unlimited	Unlimited
Specific Stop Loss Includes:		Medical & RX	Medical & RX	Medical & RX	Medical & RX	Medical & RX
Specific Premium						
Composite/# Ees	807	\$78.58	\$93.51	\$89.92	\$81.66	\$78.58
Aggregate Level		120%	120%	120%	120%	120%
Contract Type			Paid in 12	Paid in 12	Paid in 12	Paid in 12
Aggregate Premium	807	\$5.43	\$5.80	\$6.11	\$6.42	\$6.45
Total Fixed Premiums						
Monthly Cost		\$67,796	\$80,143	\$77,496	\$71,081	\$68,619
Annual Cost		\$813,553	\$961,718	\$929,955	\$852,967	\$823,431
Annual Increase over Current Stop Loss Cost			\$148,165	\$116,402	\$39,414	\$9,878
% Change from Current Stop Loss Cost			18.21%	14.31%	4.84%	1.21%

Analysis of Additional Risk Exposure			
Premium Savings from Higher Deductible		\$31,764	\$108,751
Expected Liability between \$125,000 and Alternative Deductible		\$57,737	\$106,863
Net Savings/(Cost)		(\$25,973)	\$1,889

Aggregate Attachment Factors without CIGNA Disease Management					
Monthly Agg. Factors					
Composite/# Ees	807	\$811.01	\$921.82	\$926.08	\$931.15
Annual Aggregate Attachment Point		\$7,853,821	\$8,926,871	\$8,968,175	\$9,017,225
Annual Expected Claims (From CIGNA Underwriting)		\$6,544,851	\$7,439,059	\$7,473,479	\$7,514,354

Note: CIGNA rates are firm without additional disclosures required if renewal confirmed by 9/30/2012

Revised 9/10/2012