

- **Motion to Approve Health Plan Reinsurance Policy Purchase**

Mr. Hine advised the Board that the City's health plan reinsurance policy would be renewing on January 1, 2024. He advised that Christian Bergstrom of Gehring Group would be presenting details on the policy, renewal discussions, and recommendation.

Mr. Bergstrom advised that after discussions with the City the Gehring Group negotiated a renewal with the current carrier, Cigna, for the upcoming January 1, 2024 – December 31, 2024 policy period. The initial renewal negotiations yielded a 13.9% increase in the premium without any changes to the terms and conditions.

The City's current reinsurance policy for 2023 has a \$350,000 individual stop loss level with a composite rate of \$87.11 per employee, which based upon an employee count of 1,950 would equal an annual 2023 premium of \$2,038,374. Based upon a 13.9% increase for 2024, the composite rate would be \$99.21 per employee, which based upon the same 1,950 employee count would equal an annual 2024 premium of \$2,321,514 or an increase of \$283,140.

He stated that after additional negotiations an "as is" renewal for 2024 yielded a 9.5% increase in the premium with a composite rate of \$95.39 per employee, which based upon the same 1,950 employee count would equal an annual 2024 premium of \$2,232,126 or an increase of \$193,752. Based upon this pricing, the Gehring Group explored increasing the individual stop loss level to either \$375,000 or \$400,000 and the effect on the costs for the City.

At the \$375,000 level, the 2024 renewal would yield a 0.7% increase in the premium with a composite rate of \$87.68 per employee, which based upon the same 1,950 employee count would equal an annual 2024 premium of \$2,051,712 or an increase of \$13,338. At the \$400,000 level, the 2024 renewal would yield a 7.3% decrease in the premium with a composite rate of \$80.79 per employee, which based upon the same 1,950 employee count would equal an annual 2024 premium of \$1,890,486 or a decrease of \$147,888.

Mr. Bergstrom explained that Gehring Group's claims evaluation showed that on average the City has 2 claimants per year who exceed the \$350,000 stop loss level, which is expected again for 2024. So, if the City selected the \$400,000 stop loss level it would incur an additional \$100,000 in claim costs, based upon the average, however the net premium savings would equal \$47,888. He recommended this option as the most cost-effective policy renewal option for the City.

Mr. Hine advised that currently the plan has approximately \$6.4 million in the fund balance surplus at the end of FY 2022 with a projected \$1 million operating surplus at the end of FY 2023 for a total fund balance of approximately \$7.4 million. Given this financial position, he stated that City staff agreed with this recommendation for renewal of the policy at the \$400,000 stop loss level, based upon the plan's history and the consultant's claims evaluation.

The Board proceeded to discuss this item and asked a few questions regarding the policy, the claims evaluation, and the overall stability of the City's health plan. The consensus

of the Board was that the cost savings generated from raising the stop loss level was the best renewal option for the City's health plan reinsurance policy in 2024.

Motion by Vice Chair Piechura, seconded by Mr. Botkin, to approve the City's health plan reinsurance policy from Cigna at the \$400,000 stop loss level, with a composite rate of \$80.79 per employee, for a premium of \$1,890,486. In a voice vote, the **motion passed unanimously**.

## 6. Open Discussion – Old/New Business

- **Self-Insure Health Plan Reinsurance in Future?**

Mr. Hine advised that the next item for open discussion goes along with the health plan reinsurance policy purchase and is the question of whether the City should consider self-insuring instead of purchasing coverage at the cost of almost \$2 million a year. As previously discussed, the City's health plan is financially secure with almost double the required safe harbor amount of \$4 million. Currently with \$6.4 million in fund balance surplus, the health plan is \$2.4 million above the State's actuarial safe harbor. If the City ends FY 2023 with an additional \$1 million to the surplus as projected, then it raises the question of why not self-insure instead of continuing to spend close to \$2 million on coverage.

The purpose of stop loss reinsurance is to smooth the ups and downs for years when you have exceptionally bad claims experience. However, the excess health fund balance above the safe harbor can now provide the same cushion to the plan since the City would only be funding the additional claim expenses above the \$400,000 stop loss level. He asked what the Board and Mr. Bergstrom thought of this idea. Obviously, the reinsurance carrier is in the business to make a profit, so they are going to ensure that premiums exceed the likelihood of potential claim payments.

Mr. Bergstrom proceeded to advise that the City could absolutely look at increasing the stop loss level further in the future, along with adding claim lasers for existing high value claims, or other steps that could help reduce future reinsurance premiums.

Chair Schwartz suggested possibly slowly adjusting the deductible upward each year to reduce premiums without exposing the City to full risk in one year. Mr. Hine agreed that making small changes was something he has always advocated for regarding the health plan.

The Board agreed that potentially self-insuring this coverage in the future could provide cost savings to the City considering the overall stability of the City's health plan. The consensus of the Board was to keep this item on the unfinished business to monitor and discuss again prior to the next policy renewal in January 2024.

Mr. Hine advised that staff will work with Mr. Bergstrom to evaluate the pros and cons of the City self-insuring the reinsurance and prepare an evaluation to discuss again with the Board at a future meeting.