



**CITY OF FORT LAUDERDALE
City Commission Agenda Memo
REGULAR MEETING**

#12-2649

TO: Honorable Mayor & Members
Fort Lauderdale City Commission

FROM: Lee Feldman, ICMA-CM, City Manager

DATE: December 18, 2012

TITLE: Motion to approve reinsurance for self-funded medical plan – Request for Proposals (RFP) 735-11079 - \$733,248

Recommendation

It is recommended that the City Commission approve the purchase of reinsurance for the self-funded medical plan from Cigna Health and Life Insurance Company in the estimated amount of \$733,248.

Background

The annual volatility of medical claims forces the City to go out to bid each year for its reinsurance coverage for claims that surpass a designated stop-loss level under the City's self-funded health plan.

Based on bids for calendar year 2013 (January – December) received from the City's current reinsurance carrier (Vista Combined) and the third-party administrator for the City's health plan (Cigna), two recommendations are being made:

1. Raise the City's stop-loss level from \$225,000 in 2012 to \$250,000 for 2013
2. Select Cigna's low bid estimated to be \$720,00 to \$733,248 for 2013

The above recommendations are the result of an RFP process and analysis by City staff, our benefit consultant Lloyd Rhodes of The Rhodes Insurance Group, our benefit actuary Wakely Associates, and the City's Insurance Advisory Board (approved December 5, 2012).

The quote by Cigna for a \$250,000 stop-loss cap along with a reduction in 2013 health plan subscribers will allow the City to reduce its annual premium from \$870,460 for 2012, to an estimated \$720,000 to \$733,248 for 2013. The reinsurance quotes are based on a per-subscriber cost. Since the City is in the midst of its annual benefits enrollment period the total enrollment figures for 2013 won't be finalized until December 14th or later. However, because of the significant increases to 2013 subscriber health plan rates, 2013 participation in the health plan is anticipated to drop by 141 to 266 employees/retirees so the current 2012 enrollment of 1,866 is estimated to be reduced to 1,600 to 1,725

subscribers.

For the past two years the existing stop-loss level has been \$225,000. For 2013 a \$250,000 stop-loss level is being recommended. Each year the City takes our current claims experience for the first 8 or 9 months of the year to up to a dozen reinsurance carriers in order to get a bid for reinsurance for the next year. Reinsurance carriers will not insure for more than a year because of the volatility of medical claims.

Policy Year	2009	2010	2011	2012 through August
Reinsurance Company	Vista US Fire	Vista Companion	Vista Companion	Vista Companion
Stop Loss Level	\$165,000	\$200,000	\$225,000	\$225,000
Paid Premium	\$799,725	\$802,033	\$815,607	\$580,307
Paid Reinsurance Claims	\$1,486,905	\$262,285	\$111,278	\$231,176
Loss Ratio	186%	33%	14%	40%
# of Claims in Excess of Stop Loss Level	8	5	2	3
Average # of Members Covered	1,968	1,943	1,905	1,866

The City had competitive bids for both a \$225,000 and \$250,000 stop-loss level from Vista Companion and Cigna which were projected out using 1,600 subscribers to illustrate the total annual cost.

	Proposed	Proposed	Proposed	Proposed
Reinsurance Company	Cigna	Cigna	Vista/Companion	Vista/Companion
Specific Stop Loss Level	\$225,000	\$250,000	\$225,000	\$250,000
Maximum Reimbursement	Unlimited	Unlimited	Unlimited	Unlimited
Contract Type	Claims incurred in 12 and Paid in 36	Claims incurred in 12 and Paid in 36	Claims incurred in 12 and Paid in 15	Claims incurred in 12 and Paid in 15
Per Subscriber	\$44.21	\$37.50	\$42.98	\$38.90
Total Monthly	\$70,736	\$60,000	\$68,768	\$62,240

Premium				
Estimated Annual Specific Premium	\$848,832	\$720,000	\$825,216	\$746,880

Selection of Cigna would reduce the current administration fee paid to Cigna under the City's third-party administration contract by .69 per employee per month. This has been reflected in the specific premiums listed above. The total cost without this reduction in premiums listed above is \$733,248.

Resource Impact

There is a fiscal impact to the City in the estimated amount of \$733,248.

FUNDS AVAILABILTY LOCATION:

FISCAL		SUB				SUB		
YEAR	FUND	FUND	FUND NAME	INDEX #	INDEX NAME	OBJECT #	SUBOBJECT NAME	AMOUNT
2013	545	01	Self Insured Health Benefits	INS220101	Self Insured Health Benefits	5130	Health Insurance Administration	733,248.00
TOTAL								733,248.00

Attachment(s)

Exhibit 1 – RFP Analysis

Exhibit 2 - Scoring Sheet Summary

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 Carrie Keohane, Administrative Assistant I

Department Director: Averill Dorsett, Human Resources