



**TO:** Honorable Mayor & Members of the  
Fort Lauderdale City Commission

**FROM:** Lee R. Feldman, ICMA-CM, City Manager

**DATE:** December 3, 2013

**TITLE:** Motion approving reinsurance for self-funded medical plan – Invitation to Bid (ITB) 743-11297 - \$838,634.16

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**Recommendation**

It is recommended that the City Commission approve the purchase of reinsurance with a stop loss level of \$250,000 for the self-funded medical plan from Cigna Health and Life Insurance Company in the estimated amount of \$838,634.16.

**Background**

The City of Fort Lauderdale's self-funded health plan design includes a fully-insured specific reinsurance policy that covers all incurred health and pharmacy claims in excess of a designated amount per member per calendar year. This coverage is also known as a specific stop loss policy. These reinsurance policies are only guaranteed for one year at a time and renewals are based on local health care cost trends, policy experience and an insurance company's overall experience in their reinsurance pool.

The City of Fort Lauderdale's current reinsurance policy is underwritten by Cigna d/b/a Connecticut General Life Insurance Company. Cigna is also the City's self-funded health plan's third party administrator and pharmacy benefit administrator. Cigna's reinsurance policy was selected last year as the result of a Request for Proposal (RFP) process. The current stop loss level is \$250,000. Cigna notified the City in July 2013 that the reinsurance policy premiums were increasing on January 1, 2014 by 16%.

In September, a bid solicitation for the City's self-funded health plan specific reinsurance policy was prepared and then released on October 7, 2013. Bids were due on October 30, 2013. The bid specifications called for non-contingent proposals based on the existing specific reinsurance stop loss level of \$250,000 as well as various other levels.

Respondents were required to commit to premiums based upon experience provided through the month of September 2013 for a policy effective date of January 1, 2014. Reinsurance companies typically prefer to receive experience updates no later than 60 days prior to the effective date of coverage before committing to firm premiums. Based

upon the public purchasing bid process, requiring the non-contingent premiums is the only way to meet the required timelines for a January 1, 2014 effective date.

Cigna, the incumbent reinsurance company, was the only bid received that provided firm non-contingent premiums for a January 1, 2014 effective date. Feedback from the market indicated that reinsurance companies were either non-competitive or not willing to provide non-contingent proposals required by a public purchasing bid process. The length of time that companies had to respond to the bid request was not an issue.

An analysis of the various alternative stop loss levels as well as the summary of large claims from 2009 through September 2013 is attached. The renewal of the existing stop loss level produces an estimated \$89,805 or 12% increase in annual premium. Currently through September 2013 there have been six claims that have exceeded the stop loss of \$250,000. Increasing the stop loss level to \$275,000 reduces the renewal premium by \$102,158 to \$736,476. This alternative would increase the City claims cost if there were more than four claims incurred over the stop loss level of \$275,000.

This policy is for the period of January 1, 2014 through December 31, 2014. In reviewing the other options, it is staff's opinion that maintaining the existing stop loss alternative is in the City's best interest.

**Resource Impact**

There will be a fiscal impact to the City in the amount of \$838,634.16.

**FUNDS AVAILABILTY LOCATION:**

FY	FUND	SUB FUND	FUND NAME	INDEX #	INDEX NAME	SUB OBJ #	SUBOBJECT NAME	AMOUNT
2014	545	01	Self-Insured Health Benefits	INS220101	Self-Insured Health Benefits	5131	Health Ins Claims	\$838,634.16
<b>TOTAL</b>								<b>\$838,634.16</b>

**Strategic Connections**

This item is a *Press Play Fort Lauderdale 8 Strategic Plan 2018* initiative, included within the **Internal Support Cylinder of Excellence**, specifically advancing:

- **Goal 12:** Be a leading government organization, managing our resources wisely and sustainably.
- **Objective 1:** Ensure sound fiscal management

**Attachments**

- Exhibit 1 – 2014 Reinsurance Analysis
- Exhibit 2 – Reins Rate and Experience History

Prepared by: Richard Ewell, Procurement Specialist II  
 Carrie Keohane, Administrative Assistant I

Department Director: Averill Dorsett, Human Resources