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October 14, 2024

Guy Hine, Risk Manager  
City of Fort Lauderdale  
401 SE 21<sup>st</sup> Street  
Fort Lauderdale, FL 33316

Re: City of Fort Lauderdale Self-Funded Group Health Plan  
Cigna - Specific Stop Loss Reinsurance Renewal Recommendation for January 1, 2025

Dear Mr. Hine:

Gehring Group has completed the renewal negotiations with Cigna for the specific reinsurance policy for the City's self-funded health plan effective January 1, 2024. The initial renewal received amounted to a 14% increase in premium for the current stop loss level of \$400,000. This resulted in a \$264,654 increase in premiums.

After review of the renewal options including the option to renew "as is" as well as having discussions with the plan's Medical Director our negotiations with Cigna have resulted in a 10% increase in premiums for the existing stop loss level which would result in a premium increase of \$189,072.

Cigna also provided alternative stop loss levels of \$425,000; \$450,000; \$500,000; \$750,000; and \$1 million to reduce premiums. We believe that Option 4 is a viable alternative for the City. Option 4 increases the specific deductible from \$400,000 to \$500,000. This would save the City (\$348,660) or approximately (18.4%) from the current 2024 premiums. The City would have to have an additional five claimants exceeding \$400,000 in claims in order for Option 4 to not be a viable option and historically the City averages two claimants per year who's claims costs exceed the current \$400,000 specific deductible. There is currently only one claimant that exceeds the current deductible.

It is important to note that reinsurance is primarily pooled and not totally experience rated; so, the renewal increases are not necessarily tied to the City's actual experience level and are also based upon anticipated claims costs in the future. The City's losses are included in Attachment A.

The total annual premium for 2024 is estimated to be \$1,890,486 based on enrollment of 1,950 participants. The negotiated increase amounts to a reduction of (\$348,660) in annual premium, bringing 2025 estimated annual premium to \$1,541,826 based upon the recommendation to increase the specific deductible from \$400,000 to \$500,000. Please note that premiums are paid on a per employee per month basis and fluctuate monthly based upon actual health plan enrollment.

It is important to know there are significant advantages to having the self-funded plan administrator the same as the reinsurance underwriter/carrier. These advantages include the following:

- Maintaining the Health & Pharmacy Benefit Manager Plan Administration with the reinsurance underwriter/carrier has provided economies of scale. An example of this is Cigna’s willingness to reduce the initial renewal from 14% to 10% with no changes to the coverage terms.
- Early (mid-summer) notifications of firm reinsurance initial renewal premiums versus October/November delivery of contingent premium sixty days prior to the January 1 renewal. Typical reinsurance policy underwriters provide contingent renewals that are subject to further underwriting.
- The assertions that require complete claim disclosures are accurate, avoiding potential exposure to claims not disclosed when changing reinsurance carriers.
- As both the Plan Administrator and reinsurance carrier, Cigna provides an advance reimbursement for reinsurance claims that eliminates the City having to pay the claims out-of-pocket and then file for reimbursement.
- Direct discussions with the plan’s Medical Director over the potential impact of future claims due to ongoing and emerging conditions.
- In the event the City changes to another reinsurance carrier, a data interface fee of \$0.50 PEPM would be added to the current ASO fee. This is estimated to be \$11,700 per year.

Gehring Group recommends the City accept the Cigna specific reinsurance proposal increasing the specific deductible from \$400,000 to \$500,000 and maintain all other existing contract terms for the period January 1, 2025 through December 31, 2025. It is our professional opinion that this offer represents the overall appropriate reinsurance renewal option for the protection of the City’s self-funded health plan and is competitive based upon current market trends.

Sincerely,



Kurt N. Gehring  
National Practice Leader – Public Entities

KG/CB