

September 23, 2022

Guy Hine, Risk Manager
City of Fort Lauderdale
100 N. Andrews Avenue
Fort Lauderdale, FL 33301

Re: City of Fort Lauderdale Self-Funded Group Health Plan
Cigna - Specific Stop Loss Reinsurance Renewal Recommendation for January 1, 2023

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, 2023. The initial renewal received amounted to a 10% increase in premium for the current stop loss level of \$350,000 with an individual specific laser of \$975,000 added on due to an ongoing large claimant. This resulted in a \$139,412 increase in premium and an additional \$625,000 in claims exposure to the City for an overall increase of 54.8% or \$764,412.

After review of the renewal options including the option to renew "as is" without the individual specific laser and having discussions with the plan's Medical Director our negotiations with Cigna have resulted in a 38.4% increase in premiums for the existing stop loss level which would result in a premium increase of \$566,046.

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 be based upon anticipated claims costs in the future. The City's losses are as follows:

	2018	2019	2020	2021	YTD 2022	Cumulative
Premium	\$1,412,959	\$1,088,617	\$1,095,767	\$1,276,968	\$913,467	\$5,787,778
Paid Claims	\$1,033,625	\$1,483,628	\$624,547	\$492,229	\$460,362	\$4,094,391
Loss Ratio	\$73.15%	136.29%	57.00%	38.55%	50.40%	70.74%

The total annual premium for 2022 is estimated to be \$1,472,328 based on enrollment of 1,950 participants. The negotiated increase amounts to an additional \$566,046 in annual premium, bringing 2023 estimated annual premium to \$2,038,374. It is important to note that premiums are paid on a per employee per month basis and fluctuate monthly based upon actual health plan enrollment.

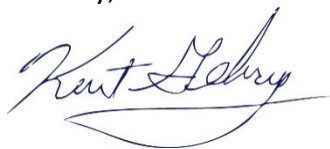
Cigna also provided alternative stop loss levels of \$375,000 and \$400,000; however, these options included the individual specific laser resulting in additional claims exposure to the City.

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 down from 42.2% to 38.4% 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 would change 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 and maintain the existing contract terms for the period January 1, 2023 through December 31, 2023. It is our professional opinion that this offer represents the overall best reinsurance renewal options for the protection of the City's self-funded health plan and is competitive based upon current market trends.

Sincerely,

A handwritten signature in blue ink, appearing to read "Kurt Gehring", with a stylized flourish underneath.

Kurt N. Gehring
National Practice Leader – Public Entities

KG/CB

cc: Katrina Valentino