



THE RHODES INSURANCE GROUP
Managed Health Care & Group Insurance

August 18, 2020

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

Re: City of Fort Lauderdale's Self-funded Group Health Plan
January 1, 2021 Renewal – Cigna Specific Reinsurance Policy

Dear Guy,

We have completed our review and negotiations for the City's specific reinsurance policy underwritten by Cigna for the City's self-funded health plan effective January 1, 2021.

We received the initial renewal from Cigna on July 1, 2020. The initial renewal called for a 18% increase or an estimated \$196,808 in additional calendar year premiums based on the Cigna enrollment report for July 2020 enrollment of 1,849 subscribers. In addition, Cigna included a laser for \$2.5 million on a member with a rare disorder. The reinsurance policy is renewed on a calendar year basis and is subject to medical trends and ongoing large claims. The existing calendar year specific reinsurance policy covers members' eligible claims incurred in excess of \$350,000. Our final negotiations resulted in Cigna offering the following three stop loss level options:

- Option 1 - Cigna has reduced the initial renewal offer from 18% to 16% for the current level of \$350,000 with an estimated increase of \$175,063 in additional calendar year premiums. Cigna also agreed to remove the \$2.5 million laser.
- Option 2 - A 5.2% increase in premium to move to a \$375,000 stop loss level. There would have to be 4.71 claims incurred between \$350,000 and \$375,000 to consume the premium savings of \$117,818.
- Option 3 – A 4.1% reduction in premium to move to a \$400,000 stop loss level. There would have to be 4.39 claims incurred between \$350,000 and \$400,000 to consume the premium savings of \$219,661.

Our negotiations included a request to reduce the increase to 10%. While the underwriters would not agree to limit the reinsurance premium to a 10% increase due to the possible claim exposure, the local office agreed to provide a credit of \$68,000 to the Cigna Administrative Services invoice for January. This reduction effectively offsets the reinsurance premium renewal by 6%,

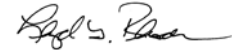
In addition to the premium analysis, we have also attached the reinsurance experience history and analysis for the City's self-funded health plan.

As you recall, in 2018 we marketed the 2019 reinsurance renewal to 9 reinsurance companies. Of these companies, only Cigna provided a proposal. We attribute this to the City's past claims experience, the competitiveness of the Cigna premiums and the tightening of the health reinsurance market. It is also important to know that marketing the reinsurance premium each year does not represent "Best Practice" for long term reinsurance cost management.

After reviewing the current ongoing claims and diagnoses, it is our opinion that Cigna's January 1, 2021 renewal for the current stop loss level of \$350,000 represents the City's best option for specific reinsurance coverage for the City of Fort Lauderdale's self-funded health plan.

Please let me know if you have any questions regarding our recommendation or if you need additional information.

Sincerely,



Lloyd F. Rhodes

Attachments (5)

- 2021 Reinsurance Premium Analysis
- Reinsurance Rate & Experience History
- Claims Stratification History
- 2017 Original Cigna Stop Loss Contract
- Amendment for 2020 Cigna Stop Loss Agreement

cc: Michael Nafthaniel
Matt Cobb
Glen Volk