



THE RHODES INSURANCE GROUP
Managed Health Care & Group Insurance

August 25, 2021

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, 2022 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, 2022.

We received the initial renewal from Cigna on July 1, 2021. The initial renewal called for a 15% increase in premium. Subsequent negotiations have reduced this to a 10% increase. In addition, Cigna has again agreed in good faith to provide an ASO fee credit of \$68,000 with the January 2022 invoice.

Option 1 - Cigna has reduced the initial renewal offer from 15% to 10% for the current level of \$350,000

Option 2 - A continuation of current premiums to move to a \$375,000 stop loss level.

Option 3 – An 8.7% reduction in premium to move to a \$400,000 stop loss level.

Our negotiations included a request for Cigna to include a fee credit of \$68,000 to the ASO January invoice as was included in last year's renewal negotiations. Although Cigna had communicated that last year's credit was a one-time concession, they have agreed to provide it again this year as a good faith effort.

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 may 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. Another consideration for not marketing this year's final renewal is the fact the Cigna is that 2022 is the final year of the Cigna

agreement. An RFP for the Cigna ASO, PBM, EAP and specific reinsurance coverage will have to be released in 2022 for a January 1, 2023, effective date.

After reviewing the current ongoing claims and diagnoses, it is our opinion that Cigna's January 1, 2022, renewal for the current stop loss level of \$350,000 represents the City's best option for the 2022 specific reinsurance policy for the City of Fort Lauderdale's self-funded health plan. The 2021 Annual Report prepared by the Plan Actuary Glen Volk included an estimated increase of 15% with the existing stop loss level. We have reviewed this final renewal offer with the Actuary and he concurs with our recommendation.

Cigna's final offer is contingent upon the City's agreeing not to market the specific reinsurance. It is our opinion as the City's Benefit Consultant that Cigna's final offer is competitive with the current market trends.

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

Sincerely,



Lloyd F. Rhodes

Attachments (5)

- 2022 Reinsurance Premium Analysis
- Reinsurance Rate & Experience History
- Claims Stratification History
- 2017 Original Cigna Stop Loss Policy
- Amendment for 2020 Cigna Stop Loss Agreement

cc: Michael Naftaniel
Matt Cobb
Glen Volk