



CITY OF LONG BEACH

R-24

DEPARTMENT OF HUMAN RESOURCES

333 W. Ocean Blvd., 13th Floor Long Beach, CA 90802 Tel: 562-570-6304 Fax: 562-570-6107

February 7, 2012

HONORABLE MAYOR AND CITY COUNCIL
City of Long Beach
California

RECOMMENDATION:

Authorize the City Manager to execute an agreement with ING Employee Benefits (ReliaStar Life Insurance Company), for healthcare specific stop-loss reinsurance coverage with a \$500,000 deductible level at a cost of \$823,936 for a 12-month period; and authorize the City Manager to execute any subsequent amendments necessary to maintain current benefit levels and remain in compliance with state and federal laws. (Citywide)

DISCUSSION

On September 20, 2011, the City Council approved health and life insurance agreements for the plan year that began on January 1, 2012. In 2008, the City took a new approach to stop-loss insurance for large claims that exceeded \$500,000 per individual claim within a plan year. Specifically, it was determined that the City's self-funded medical and prescription drug programs should be supported by a specific stop-loss agreement instead of what at that time was an aggregate approach.

In addition, staff committed to return to City Council with the insurance carrier selected to provide the City's specific stop-loss insurance following a competitive bid process closer to the plan year start date. The selection process has been completed, and ING Employee Benefits proposed the most competitive rates and provided the ability to data interface with the City's current self-funded medical carriers. While the negotiated contract with ING Employee Benefits is 44% higher than the rate for 2011, it is significantly less than the renewal rate for Elite Underwriting Services, last year's carrier, as well as all other carriers that submitted a quote. These rates reflect large claims experienced during 2011. The remainder of the market declined to quote because their rates were not competitive.

The specific stop-loss agreement with ING Employee Benefits will run concurrently with the City's benefit plan carrier contracts, from January 1, 2012 through December 31, 2012.

This letter was reviewed by Linda Trang, Deputy City Attorney on January 18, 2012 and Budget Management Officer Victoria Bell on January 19, 2012.

TIMING CONSIDERATIONS

City Council action is requested February 7, 2012, so that the stop-loss carrier will be in place as close to the start of the benefit year, effective January 1, 2012.

FISCAL IMPACT

The estimated annual cost for the City's stop-loss reinsurance coverage with ING Employee Benefits (ReliaStar Life Insurance Company) for the 12-month 2012 plan year is \$823,936, which is budgeted in Citywide Activities (XC), Employee Benefits Fund (IS 391). There is no local job impact associated with this recommendation.

SUGGESTED ACTION:

Approve recommendation.

Respectfully submitted,



DEBORAH R. MILLS, DIRECTOR
DEPARTMENT OF HUMAN RESOURCES

DRM/SLM/slm
R:\Executive Assistant Files\HR Council Letters\02-07-12 ccl - Stop-Loss Insurance.doc

APPROVED:



PATRICK H. WEST
CITY MANAGER