



Legislation Text

File #: 20-1244, **Version:** 1

Recommendation to authorize City Manager, or designee, to execute an agreement with VOYA, for healthcare specific stop-loss reinsurance coverage with a \$500,000 deductible level, at an estimated cost of \$1,821,136 for a 12-month period effective January 1, 2021; and, execute any subsequent amendments necessary to maintain current benefit levels and remain in compliance with state and federal laws. (Citywide)

The Human Resources Department administers the Employee Benefits Program (Program) for active and retired City employees and their qualified dependents. The Program includes a self-insured PPO medical plan option and stop-loss insurance to protect the City against large claim losses. The stop-loss insurance reimburses the Program in the event an individual plan participant has medical claims that exceed \$500,000 within a plan year. Industry trend for coverage at this level is at or above 25 percent.

On September 1, 2020, the City Council approved health and life insurance agreements for the plan year that begins on January 1, 2021; however, at that time, the stop-loss insurance rates had not yet been finalized and staff committed to return to the City Council for authorization to contract for the specific stop-loss insurance.

Alliant Insurance Services, the City's current health insurance consultant, conducted a competitive bid process based on the City's current rate and historical large claims experience. Of the seven carriers who were solicited to provide stop-loss coverage, five carriers declined to quote due to not being able to offer a competitive rate based on the City's ongoing high cost claimant risk concerns and high cost claimant loss ratio for 2020. VOYA, the City's current stop-loss carrier, proposed the most competitive rate with an 18 percent increase from the current 2020 plan year actual cost of \$1,543,404. The estimated annual cost for the City's stop-loss reinsurance coverage with VOYA for the 12-month 2021 plan year is \$1,821,136. The stop-loss insurance coverage is an important component to the City's employees benefit program to provide protection against catastrophic or unpredictable losses due to high-cost claims.

The specific stop-loss agreement with VOYA will run concurrently with the City's benefit plan carrier contracts, from January 1, 2021 through December 31, 2021.

This matter was reviewed by Principal Deputy City Attorney Gary J. Anderson on November 30, 2020 and by Revenue Management Officer Geraldine Alejo on December 1, 2020.

City Council action is requested on December 15, 2020, to ensure continuation of stop-loss insurance coverage.

The estimated annual cost for the City's stop-loss reinsurance coverage with VOYA for the 12-month 2021 plan year is \$1,821,136, and will be funded within current resources appropriated in the Employee Benefits Fund Group in the Citywide Activities Department. Higher costs will be recaptured via overhead charges to user funds as part of the FY 22 budget development process. This recommendation has no staffing impact beyond the normal budgeted scope of duties and is consistent with existing City Council priorities. There is no local job impact associated with this recommendation.

Approve recommendation.

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FRED VERDUGO
ACTING DIRECTOR OF HUMAN RESOURCES

APPROVED:

THOMAS B. MODICA
CITY MANAGER