



CITY OF MCKINNEY, TEXAS

Legislation Text

File #: 17-1184, **Version:** 1

Consider/Discuss/Act on a Resolution Authorizing the City Manager to Enter into Contracts/Agreements with Cigna Health and Life Insurance Company (Cigna) for Individual Stop Loss and Aggregate Stop Loss Reinsurance Coverage

COUNCIL GOAL: Operational Excellence

MEETING DATE: December 5, 2017

DEPARTMENT: Human Resource and Risk Management

CONTACT: Ike Obi, Director of Human Resources

RECOMMENDED CITY COUNCIL ACTION:

- Approval of Resolution

ITEM SUMMARY:

- This Resolution authorizes a contract with Cigna to provide Individual Stop Loss (ISL) and Aggregate Stop Loss (ASL) reinsurance coverage for the City of McKinney's group health plans (medical and prescription drug claims).

BACKGROUND INFORMATION:

- The City of McKinney's group health benefits program is self-funded. Under this funding structure, the City owns the claims risk, but has greater flexibility for plan design. To limit the City's cost exposure, we purchase secondary insurance products to cap City's risks at both the individual and aggregate claims levels.
- Staff rebid stop loss and received proposals from vendors to provide both ISL and ASL coverage.
- Seven companies submitted proposals (Arbor Benefits, Berkshire Hathaway, Cigna, Frates, Liberty, Partners Re and Optum/Stealth). Holmes Murphy, our health plan consultant, reviewed the proposals and selected four vendors (Arbor Benefits, Berkshire Hathaway, Cigna and Partners Re) for further evaluation.
- Cigna's proposal offers the most comprehensive and cost-effective coverage for the City (see "Exhibit A: 2018 Stop Loss Options and Costs"). The projected cost in 2018, based on enrollment, is estimated at \$1,092,495. This represents a 7.2% increase over current year's cost. In addition to being the lowest overall cost, Cigna's proposal does not "laser" (set a separate higher ISL deductible) for certain claimants with serious ongoing large claims. It also offers ease of claims reporting by eliminating the cost of claims feed and reporting to a third party stop loss vendor.

- The 2018 contract includes raising individual annual stop loss deductible from the current \$150,000 per claimant, which is too low for our group size, to \$175,000 per claimant. Our aggregate claims corridor is set at 125% with a 24/12 contract term.

FINANCIAL SUMMARY:

- Estimated annual cost for services is approximately \$1,092,495. This amount would vary based on enrollment.
- Funding is available in accounts:
 - 015-2110-413-8576 for Medical Claims
 - 015-2110-413-8577 for Prescription Drugs Claims
 - 015-2110-413-8575 for Insurance Fixed Costs/Administrative Fees

BOARD OR COMMISSION RECOMMENDATION: N/A