



Item: Authorization for the City Manager to Enter into and Execute an Agreement for Employee Group Health Insurance Specific Stop Loss Coverage

From: Human Resources

Initiated By: Human Resources Department

Presented By: Linda Williams, Human Resources Manager

Action Requested: Authorize the City Manager to Enter into and Execute an Agreement with Robert Feld Brokerage Services and American Fidelity Insurance Company for Specific Stop Loss Coverage for the City of Great Falls

Suggested Motion:

1. Commissioner moves:

“I move that the City Commission authorize the City Manager to enter into and execute an agreement with Robert Feld Brokerage Services and American Fidelity Insurance Company for specific stop loss coverage for the City of Great Falls.”

2. Mayor calls for a second, discussion, inquiries from the public, and calls the vote.

Staff Recommendation: Authorize the City Manager to enter into and execute an agreement with Robert Feld Brokerage Services and American Fidelity Insurance Company for specific stop loss coverage.

Background:

Significant Impacts

The City has contracted with Blue Cross and Blue Shield of Montana (BCBS) for claims administration of its self-insured employee group health insurance plan since January of 1991, as well as stop loss coverage, on an annual basis. Each year the decision to renew the contract was based upon successful negotiation of the renewal terms and conditions, including any fee increases.

Specific stop loss coverage is re-insurance purchased to limit the City’s liability on a per person basis during the contract period up to a certain dollar amount. The City’s specific stop loss attachment point effective July 1, 2010 was \$175,000. This means the City is responsible for claims up to \$175,000 per person, per plan year. Anything over \$175,000

is the insurance carrier's responsibility. Just in the last five years, the City has been reimbursed over \$1.6 million for claims that exceeded the attachment point.

Purpose

The City's annual specific stop loss contract with BCBS runs on a plan year from July 1 through June 30. BCBS notified the City in May that the renewal fee increase to maintain the attachment point of \$175,000 would be a 41% increase effective July 1, 2012. Because of the large increase, the City advertised a Request for Proposal to solicit bids to determine if comparable coverage could be purchased at a lower rate.

The City opted to renew its contract with BCBS on a month-by-month basis until the bidding process was complete and a determination was made based on the proposals received. The City increased its attachment point with BCBS effective July 1st to \$200,000 in order to reduce the fee increase from 41% to 17.8%.

Evaluation and Selection Process

A Request for Proposals (RFP) was advertised on July 18 and 25, 2012 in the *Great Falls Tribune* and posted on the City's website. In addition to BCBS's renewal proposal, the City received three proposals to the RFP by the closing date of July 31, 2012. The proposals were forwarded to a consultant, Mary Kay Puckett with Mountain West Benefits, for further evaluation.

The attached spreadsheet summarizes the proposals. Robert Feld Brokerage Services and American Fidelity Insurance Company was the low bidder. The savings to the City would be approximately \$9,227 per month and over \$110,000 over a twelve month period.

Conclusion

Staff recommends authorizing the City Manager to enter into and execute an agreement with Robert Feld Brokerage Services and American Fidelity Insurance Company for specific stop loss coverage at an attachment point of \$200,000 at a rate of approximately \$35,135 per month.

Fiscal Impact:

The specific stop loss premium is paid out of the City's Health Insurance fund. Changing stop loss carriers from BCBS to Robert Feld Brokerage Services and American Fidelity Insurance Company will provide significant savings to the City of approximately \$110,000 over a twelve month period.

Alternatives:

The City Commission could vote not to authorize the City Manager to enter into and execute an agreement with Robert Feld Brokerage Services and American Fidelity Insurance Company for specific stop loss coverage.

Attachments/Exhibits:

Specific Stop Loss Comparison prepared by Mountain West Benefits

City of Great Falls Montana

Specific Stop Loss Comparison 24/12 Prepared by Mountain West Benefits

September 1, 2012 thru August 31, 2013

	Current BCBS HM		ING ReliaStar		Propel Symetra		R.Feld American Fidelity	
	175K	200K	175K	200K	175K	200K	175K	200k
SPECIFIC DEDUCTIBLE	175K	200K	175K	200K	175K	200K	175K	200k
PEPM COST	\$89.58	\$74.81	\$93.55	\$83.00	\$79.07	\$64.55	\$68.90	\$59.25
MONTHLY COST	\$53,121	\$44,362	\$55,475	\$49,219	\$46,889	\$38,278	\$40,857	\$35,135
ANNUAL COST	\$637,451	\$532,347	\$665,701	\$590,628	\$562,662	\$459,338	\$490,292	\$421,623
RATINGS	A-		A		A		A+	
NOTES:								
<ul style="list-style-type: none"> • Total Count 593 • Summary of lowest price per bidder • All rates are subject to any change in risk prior to the effective date • Propel quotes are based on an annual benefit maximum of \$1,250,000 • 24/12 = incurred in the last 24 months, paid within the 12 month contract period 								

