



City of Olathe

COUNCIL AGENDA ITEM

MEETING DATE: 11/19/2019

DEPARTMENT: Resource Management

STAFF CONTACT: Dianna Wright/Kim Marshall

SUBJECT: Consideration of renewal of contract with Cigna for the health and prescription stop-loss insurance program.

ITEM DESCRIPTION:

Consideration of renewal of contract with Cigna for the health and prescription stop-loss insurance program

SUMMARY:

The City of Olathe purchases individual stop-loss on an annual basis. The stop-loss coverage is fully insured and provides financial protection to the City who is self-funded for health and prescription coverage. This insurance provides coverage for individual claimants who exceed the specific deductible of \$200,000. In addition, the City also has an aggregating specific deductible of \$150,000 that must be met before reimbursements are paid to the City. The \$150,000 aggregating specific deductible can be satisfied by one or several individuals with large claims that exceed the specific deductible.

The City's healthcare broker, Lockton, requested proposals from fourteen (14) stop-loss vendors. Nine (9) responded and five (5) declined to respond. Those that declined indicated their rates would not be competitive compared to current rates. Based on claims activity, Cigna has proposed a 17% increase to the stop loss premiums effective 1/1/2020 with an estimated annual premium of \$1,183,663. Lockton had assumed a 12% premium increase when developing the 2020 health premium rates for the City. Based upon the significant high cost claims activity for the City during 2017, 2018 and year to date 2019, and Lockton's analysis of the proposed quotes, it was determined that Cigna had provided the best option for the City by keeping the coverage the same; \$200,000 specific deductible and \$150,000 aggregating specific deductible. (See Attachment A and B for details).

We believe this renewal is representative of current market conditions and reflects the City's commitment to loss control and proactive claims and risk management.

FINANCIAL IMPACT:

The Cigna quote is an additional \$174,119 dollars per year and there are adequate funds in the Risk Management fund.

ACTION NEEDED:

Renewal of the contract with Cigna for the health and prescription stop-loss insurance program.

ATTACHMENT(S):

A. Marketing and Risk Evaluation

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B. Marketing Detail - \$200,000 Specific Deductible