

Legislation Text

File #: 18-3827, **Version:** 1

RFP No. 2019-012 - Annual Medical Plan Reinsurance (Stop Loss).
(Authorize the City Manager to finalize and execute the appropriate documents with W. R. Berkley Corporation in the amount of \$414,220.00.)

Name of Department

Human Resources

Project/Budgeted Amount

\$416,750.00

Sum of Bid/Bid Amount

\$414,220.00

The City of Mesquite is self-funded on its group health insurance plans for employees and pre-65 retirees. This means the City's third party claims administrator pays health insurance claims from a City of Mesquite bank account that is funded with City contributions for medical benefits, employee payroll deductions and retiree monthly premium payments.

The City retains the first \$300,000.00 of eligible expense on each approved claim. Claims exceeding \$300,000.00 are re-insured with a separate stop-loss carrier which assumes all costs above \$300,000.00. The stop-loss carrier's liability *after* the City meets the \$300,000.00 threshold is unlimited.

Staff bids the premium expense for stop-loss coverage annually to secure the best benefits at the lowest possible rate. Bid notices were broadcast through BidSync, published in the Daily Commercial Record and posted on the City's website. The City received bids from various carriers ranging from a 19.89 percent increase in rates to a 9.01 percent increase in rates as compared to the current plan year.

In addition to the requested specific stop loss quotes, the City requested quotes for aggregate reinsurance coverage. The City has not obtained aggregate reinsurance in the past. Aggregate reinsurance would provide coverage for annualized medical and pharmacy claims that exceed 125 percent of the City's overall expected claims. Most municipalities the size of the City of Mesquite purchase aggregate reinsurance to protect against abnormally high cost claim years. The annual projected premium for aggregate reinsurance is \$20,465.00.

The lowest bid for stop-loss coverage was submitted by W. R. Berkley Corporation (Berkley) with a 9.01 percent increase to rates from the current stop-loss rates. With staff's analysis and with the unanimous endorsement from the City's benefits consulting firms, it is recommended that the City accept the proposal submitted by Berkley.

Financial Implications

By executing the Berkley offer and adding aggregate reinsurance, the City will save \$2,530.00 over the approved budget. This one-year plan will be effective January 1, 2019.

Recommended/Desired Action

Authorize the City Manager to execute a contract with W. R. Berkley Corporation.

Attachment(s)

Marketing Results

Stop Loss Rate Proposals

Drafter

Rick French

Head of Department

Rick French