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ITEM #9
WRKS 06/14/2011

MEMORANDUM

June 6, 2011

TO: Board of Mayor and Aldermen

FROM: Eric S. Stuckey, City Administrator 
Shirley Harmon, Human Resources Director
Tammie Pitts, Benefits Manager
Brian Wilcox, Purchasing Manager

SUBJECT: Consideration of contract award for stop-loss insurance for employee and retiree health and pharmacy programs for a one-year term effective July 1, 2011 (Purchasing Office Procurement Solicitation No. 2011-033)

Purpose

The purpose of this procurement is to purchase stop-loss insurance for the City's employee and retiree health and pharmacy programs for a one-year term effective July 1, 2011 (Purchasing Office Procurement Solicitation No. 2011-033).

Background

The City's benefit consultant Sherrill Morgan issued, on the City's behalf, a request for proposals for stop-loss insurance for employee and retiree health and pharmacy programs for a one-year term effective July 1, 2011. Stop-loss insurance is insurance purchased to protect the City from paying the total cost of either a single large claim over a specific amount for a member or an aggregate (group) claim over a specified amount during a set time period for all members.

The City published on May 12, 2011 a Notice to Bidders in the *Williamson Herald* for stop-loss insurance for employee and retiree health and pharmacy programs. In addition, on or about the same date, Sherrill Morgan sent solicitation documents directly. Please see the Stop Loss Proposal Status prepared by Sherrill Morgan. Attached is a summary recommendation from Sherrill Morgan regarding the award of stop-loss insurance.

Financial Impact

Sherrill Morgan has evaluated the proposal received and has determined that the City will recognize a 2 % savings over the 2010 – 2011 fiscal year premium with an estimated annual premium of \$300,000 for the upcoming 2011 – 2012 fiscal year based on current employee, C.O.B.R.A., and retiree participation levels. This premium is calculated on a per member per month basis.

Recommendation

Both City staff and our consultant (Sherrill Morgan) recommend that the City accept HM's bid as submitted which represents a savings over the current reinsurance premium.



To: Tammie Pitts
From: Lisa Stamm
Date: June 6, 2011
Re: 2011-2012 Stop Loss Options and Recommendations

The following is a summary of the stop loss proposals received through the Request for Proposals for Stop Loss Insurance (RFP). The attached documents summarize the proposals that were received.

The City's stop loss renewal for 2011-2012 included a 15% increase in specific premium over 2010-2011 (current). The City conducted a Request for Proposals seeking competitive stop loss proposals and various contractual features that are not included in the current contract with HM. The only carrier to respond by the deadline stated in the RFP was the current carrier, HM. Several other carriers declined to quote, and two carriers submitted late electronic proposals.

We recommend that the City accept HM's 12/12 laser option proposal with the following additional contractual features: unlimited annual and lifetime maximums, no new laser option with a rate cap, and both medical and prescription coverage under the specific. The total premium (both aggregate and specific) for this option will be approximately 2% lower than the total current premium, and the aggregate claims liability will be approximately 2% less than current.

We are of course available to speak with you regarding these recommendations at your convenience.



STOP LOSS PROPOSAL STATUS
7/1/11 Renewal

<u>Carrier</u>	<u>Status</u>
HCC Life	Declined
HM	Received
Medical Excess	Received After RFP Deadline
Stop Loss Insurance Services	Declined
Symetra	Received After RFP Deadline