



# City of San Antonio

## Agenda Memorandum

### File Number:

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**Agenda Item Number:** 45

**Agenda Date:** December 15, 2022

**In Control:** City Council A Session

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**DEPARTMENT:** Department of Human Resources

**DEPARTMENT HEAD:** Renee Frieda

**COUNCIL DISTRICTS IMPACTED:** Citywide

**SUBJECT:**

2023 Stop Loss Insurance Renewal

**SUMMARY:**

This ordinance authorizes the City Manager or his designee to approve execution of the renewal with HM Life Insurance Company for a Stop Loss Insurance Policy that will cap the City's risk at \$1,200,000.00 per insured on the City's medical plans. The purpose of the policy is to protect the City from catastrophic claims expenses. The new term of this policy is for claims incurred since December 1, 2017 but paid during the 12 months beginning January 1, 2023 and ending December 31, 2023.

**BACKGROUND INFORMATION:**

The City of San Antonio offers self-insured medical benefit plans to approximately 26,760 individuals, including civilian employees, uniformed employees, non-Medicare eligible retired civilian employees, and their dependents. The adopted budget to cover expenses for medical and pharmacy claims for FY 2023 is over \$159.3 million.

Stop-loss insurance is a risk-mitigation product that provides financial protection for self-insured employers such as the City of San Antonio. Without stop-loss insurance, the City is responsible

for the full cost of any catastrophic claim. With stop-loss insurance, employers receive reimbursement for payments made for claimants in excess of pre-determined deductible levels.

The City's Benefits Consultant, Gallagher, has seen catastrophic member claims over the past three years within their Texas book of business ranging from \$2 million to \$14 million. Member claims in excess of \$1 million continue to increase significantly year over year.

The City has contracted with HM Life Insurance Company since March 1, 2018 to provide stop loss coverage for our self-insured medical plans. HM Life Insurance Company provided cost estimates for renewal of stop loss insurance at the current deductible level of \$1,200,000.00. In reviewing the total impact to the City, HM Life Insurance Company's rate for 2023 is \$7.58 per employee per month. Gallagher recommends renewing with HM Life Insurance Company to provide a stop loss policy covering paid claims incurred since December 1, 2017 and paid in 2023 with a \$1,200,000.00 deductible level.

#### **ISSUE:**

Stop loss insurance mitigates the risk to the City's Employee Benefits Insurance Fund of these large catastrophic member claims. The City's current stop loss coverage expires December 31, 2022. Staff recommends renewal.

#### **ALTERNATIVES:**

Should the renewal for stop loss coverage not be approved, it will result in the City assuming the full risk of catastrophic claims that could have serious negative financial implications to the Employee Benefit Insurance Fund.

#### **FISCAL IMPACT:**

This ordinance authorizes the renewal of the stop loss insurance policy with HM Life Insurance Company to cover claims incurred by City civilian employees, non-Medicare eligible civilian retirees, uniformed employees, and their dependents to protect the City from catastrophic claim expenses. The 2023 cost of the Stop Loss Insurance Policy is \$7.58 per employee per month (based on 11,207 covered employees) for an estimated annual cost of \$1,019,389.00. Funding for FY 2023, estimated at \$764,541.00 is available in the FY 2023 Employee Benefits Insurance Fund Budget. Funding, for an estimated cost of \$254,848.00, is contingent upon City Council approval of the FY 2024 Adopted Budget.

#### **RECOMMENDATION:**

Staff recommends approval to renew the HM Life Insurance Company Stop Loss Insurance Policy with a \$1,200,000 deductible to cap the City's risk on claims incurred by City civilian, non-Medicare eligible civilian retirees, uniformed employees, and their dependents that are covered

under the City's medical insurance plans. The new term of this policy is for claims incurred since December 1, 2017 and paid during the twelve (12) months beginning January 1, 2023 and ending December 31, 2023.