



CITY OF SUGAR LAND

MEDICAL PLAN FUNDING

Fully Insured Plan

- Employer pays monthly premiums based on Plan participation.

Self-Funded Plan

- Employer pays fixed costs related to the administration of the Plan such as:
 - Administration Fees
 - Network Fees
 - Stop Loss Premiums for Specific and Aggregate Coverage
- Employer pays actual claims costs (*some of which may be reimbursed by Stop Loss*)

WHAT IS STOP LOSS?

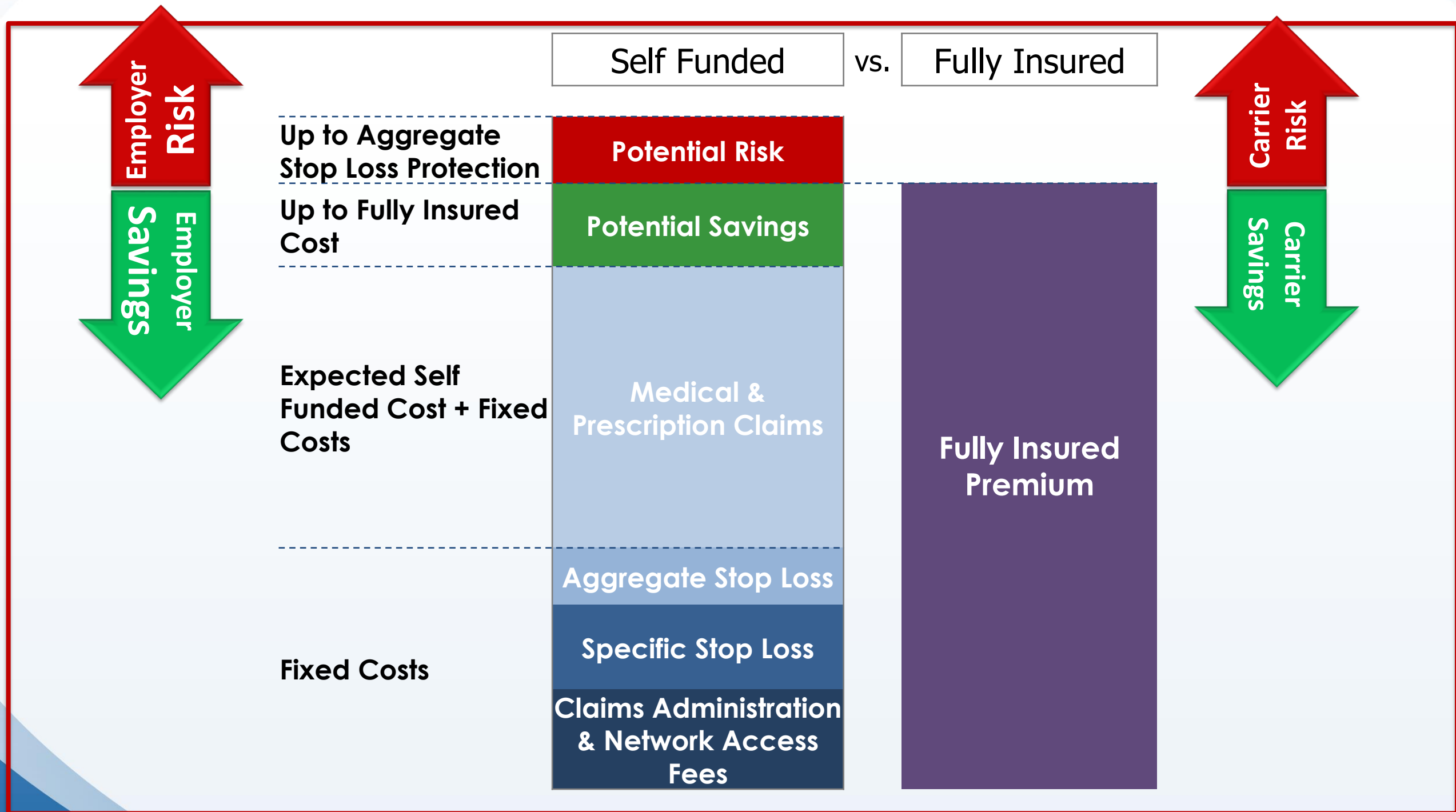
Stop Loss has 2
Layers of Coverage:
Specific (*Individual*)
And
Aggregate (*Group*)

Specific Stop Loss

- A specific limit (*deductible*) to protect the City from a catastrophic claim or series of claims for one individual (\$175,000, unless 'lasered')

Aggregate Stop Loss

- A total expense limit to protect the City in the event of considerably unfavorable year for the group's total claims (120%)



SELF-FUNDED VS. FULLY INSURED PLAN COSTS

Savings Compared to FI	
2012	\$915,760
2013	\$900,191
2014	\$150,954
2015	\$311,474
2016	\$270,352
2017	\$312,399
2018	-\$402,934
2019	\$625,600
YTD 2020	\$1,652,869

- Savings estimates projected based on an annual Fully Insured Premium amount
- 2020 YTD utilizes a monthly premium amount accrued over the last 7 months, then compared to the last 7 months of cost

STOP LOSS COVERAGE

- City's Benefits Consultant negotiated the best and final offer from Cigna for the 2021 Stop Loss Renewal
- Fixed costs for specific premium *increase* is approximately *\$132,000* - premium increase was anticipated through the budget process;
- Lasered claims liability was *decreased* and Aggregate Accumulation Factor was *reduced* by *\$1,227,880*; and

STOP LOSS COVERAGE

- Aggregate premium remained *flat* (no increase)
- Overall, maximum potential impact to the City's Benefits Fund is *reduced* by \$1,420,423 or -9.1% from 2020
- Funding is included in the FY21 Benefits Fund
- Recommendation discussed with Compensation Committee

RECOMMENDATION

Authorize The Execution Of
All Necessary Documents
To Enter Into A One-year Contract
In The Amount of \$1,623,168
With Cigna

Effective January 1, 2021 Through December 31, 2021
For Specific & Aggregate Stop-Loss Coverage

CLARIFYING QUESTIONS FOR STAFF

COUNCIL MOTION & DISCUSSION