



STAFF REPORT

DATE: September 7, 2021

TO: Kent Cagle, City Manager

FROM: Eva Bark, Executive Director of Human Resources

SUBJECT: RECOMMENDATION TO EXECUTE A ONE-YEAR AGREEMENT FOR AN EXCESS RISK POLICY (STOP LOSS INSURANCE) FOR MEDICAL AND PHARMACY CLAIMS UNDER THE CITY HEALTH INSURANCE PLAN WITH UNITED HEALTHCARE IN THE AMOUNT OF \$614,755.

BACKGROUND AND FINDINGS:

On June 8, 2021, Council approved Request for Proposal (RFP) 20-21 Group Employee Medical and Pharmaceutical Benefits awarding United HealthCare as the City's self-insured benefit provider, effective October 1, 2021. The City will need to purchase stop loss insurance in the event of high claims to support the self-insured health care and pharmaceutical plan in FY22.

Stop-loss insurance protects the City against catastrophic or unpredictable losses. The City of Killeen will protect its plan with both specific and aggregate stop-loss coverage. Specific Stop-loss protects the City against a high claim on any one individual. Aggregate stop-loss provides a ceiling on the dollar amount of expenses that the City would pay, in total, during a contract period.

In partnership with the City's Employee Benefit Consultant, Lockton Dunning, on August 1, 2021, the City initiated a Request for Proposal (RFP) for firms experienced in stop-loss insurance coverage for the City of Killeen employees and retirees. Staff received and reviewed one proposal from United HealthCare. The review and evaluation of the proposal was based on product offerings, reputation of the vendor, and cost savings for the City and the employees.

After a thorough analysis of the stop-loss insurance proposal and options, staff recommends entering into an agreement with United HealthCare for the plan year 2022 for a term of one year in an amount of \$614,755. Stop-loss insurance with United HealthCare provides cost-effective insurance for the City.

THE ALTERNATIVES CONSIDERED:

(1) To not consider entering into an agreement with United HealthCare for stop-loss insurance for FY22.

(2) To consider entering into an agreement with United HealthCare for stop-loss insurance for FY22.

Which alternative is recommended? Why?

Staff recommends the City to enter into a one-year agreement with United HealthCare for stop-loss insurance for medical and pharmacy claims under the City health insurance plan because United HealthCare was the only bidder, and it provides cost-effective stop-loss insurance for the City.

CONFORMITY TO CITY POLICY:

Yes

FINANCIAL IMPACT:

What is the amount of the expenditure in the current fiscal year? For future years?

The cost for FY 2022 is \$614,755.

Is this a one-time or recurring expenditure?

Recurring

Is this expenditure budgeted?

Yes, funds are included in the FY 2022 Proposed Budget in the Health Insurance Fund, account 615-2305-418.50-59.

If not, where will the money come from?

N/A

Is there a sufficient amount in the budgeted line-item for this expenditure?

Yes, upon approval of the FY 2022 Proposed Budget.

RECOMMENDATION:

Staff recommends the City Council award RFP 20-34 to United HealthCare for an excess risk policy (stop loss) for medical and pharmacy claims under the City health insurance plan effective October 1, 2021 in the amount of \$614,755, and authorize the City Manager or his designee to execute the contract and any necessary change orders in accordance with state and local law.

DEPARTMENTAL CLEARANCES:

Purchasing
Finance
Legal

ATTACHED SUPPORTING DOCUMENTS:

Bid