



City of Killeen

Legislation Text

File #: RS-23-140, **Version:** 1

Consider a memorandum/resolution awarding RFP 23-36 to United Health Care for an excess risk policy (stop loss insurance) for medical and pharmacy claims under the City health insurance plan, effective October 1, 2023, in the amount of \$739,718.

DATE: September 5, 2023

TO: Kent Cagle, City Manager

FROM: Eva Bark, Executive Director of Human Resources

SUBJECT: AWARD RFP 23-407 FOR AN EXCESS RISK POLICY (STOP LOSS INSURANCE) FOR MEDICAL AND PHARMACY CLAIMS UNDER THE CITY HEALTH INSURANCE PLAN WITH UNITED HEALTH CARE IN THE AMOUNT OF \$739,718.

BACKGROUND AND FINDINGS:

On June 27, 2023, Council approved United Healthcare as the City's Group Employee Medical and Pharmaceutical benefit provider, effective October 1, 2023. 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 FY24.

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 Benefits Consultant, Lockton Dunning, on July 10, 2023, 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 a proposal from United Health Care (\$739,718), the sole bidder. The review and evaluation of the proposal were based on product offerings, the reputation of the vendor, and cost savings for the City and the employees.

After a thorough analysis of the stop-loss insurance proposal and option, staff recommends entering into an agreement with United Health Care for the plan year 2024 for a term of one year in the amount of \$739,718. Stop-loss insurance with United Health Care provides cost-effective insurance for the City.

THE ALTERNATIVES CONSIDERED:

- (1) Do not award RFP 23-36 to United Health Care for stop-loss insurance for FY24.
- (2) Award RFP 23-36 to United Health Care for stop-loss insurance for FY24.

Which alternative is recommended? Why?

Staff recommends the City award RFP 23-36 to United Health Care for stop-loss insurance for medical and pharmacy claims under the City health insurance plan because it provides the most 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 2024 is \$739,718.

Is this a one-time or recurring expenditure?

Recurring.

Is this expenditure budgeted?

Yes, funds are included in the FY 2024 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 2024 Proposed Budget.

RECOMMENDATION:

Staff recommends the City Council award RFP 23-36 to United Health Care for an excess risk policy (stop loss insurance) for medical and pharmacy claims under the City health insurance plan effective October 1, 2023, in the amount of \$739,718 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:

United Health Care RFP Submission.