
City Council Regular Meeting

DEPARTMENT: Human Resources
FROM: Cheryl Marthiljohni, Director of Human Resources
MEETING: December 9, 2024

SUBJECT:

Consider approval of a minute order authorizing \$886,906.80 in funding to renew Stealth Partner Group, managing general underwriter, and Berkshire Hathaway Specialty Insurance for the city's stop-loss insurance providers for plan year 2025. (*Staff Contact: Cheryl Marthiljohni, Director of Human Resources*)

SUMMARY:

Stop loss insurance limits a self-funded employer's health plan liability to a specified amount on each claimant and protects the financial integrity of the city's self-funded plan. The 2025 Stop Loss marketing analysis, conducted by the city's benefit consultant, HUB International, provided a renewal recommendation to stay with the city's current Stop Loss insurance carrier, Berkshire Hathaway.

This renewal provides a .02% (\$21,902) reduction in total fixed costs from 2024.

The city's current stop loss with Berkshire Hathaway, includes an individual stop loss deductible of \$125,000 and a paid contract term. The paid contract term provides reimbursement of any eligible claims over \$125,000; claims can be incurred any time during which the member was eligible on the plan but must be paid during the policy term of 12 months. This is important because medical carriers can audit high dollar claims and delay payment. If a high dollar claim were audited and fell outside of the stop loss contract limits, it may not be paid due to the contract terms. The contract with Berkshire Hathaway ensures claims, regardless of when they were incurred, would be paid, reducing the city's potential liability and risk. In addition, Berkshire is not requiring any lasers to the renewed plan, which means there will be no removal of plan participants from stop loss coverage.

In addition, the city's stop loss insurance includes aggregate stop loss, which will cover costs if the total medical and Rx claims were to exceed 120% of expected claims spend. The maximum aggregate reimbursement is capped at \$2,000,000. The city's aggregate factors, which are set by the vendor, received a rate pass for 2025.

HUB's 2025 Stop Loss Coverage Marketing Analysis, presented the city with the following three options, including the renewal with the current carrier, Berkshire Hathaway.

Carrier	Annual Cost	Contract Terms
Renewal Berkshire Hathaway (<i>Recommended Option</i>)	\$886,906.80	Paid (24/12)
Pan American-Life	\$895,003	Paid (24/12)
HCC	\$1,181,325	Paid (24/12)

In 2024 (data through September 30, 2024), the city experienced two high-cost claimants. Stop loss insurance covers the additional claim costs above the \$125,000 deductible. For 2024, these two claimants have a projected medical and prescription high claim cost total of \$392,498 for stop loss insurance. This amount would be the potential extra liability for the city if it were not for stop loss coverage. Also, in 2024 (data through September 30, 2024), the city experienced 11 additional large claimants that exceed \$50,000. The claim costs for this group range from \$50,855 - \$119,649.

In comparison, 2023, the city experienced six high-cost claimants that exceeded the \$125,000 deductible and had an additional 13 large claimants that exceeded the \$50,000 threshold.

For plan year 2024 year to date, the aggregate stop loss is running at 71% of maximum claims, compared to 100% in 2023.

RECOMMENDATION:

Staff recommends approving the 2025 renewal contract with Berkshire Hathaway Specialty Insurance for specific stop loss insurance for a paid contract type with an individual stop loss deductible of \$125,000 and an aggregate stop loss that covers 120% of total expected medical and Rx claims.

PRIOR ACTION/INPUT (Council, Boards, Citizens):

- Reviewed Health Fund Financials with Finance Committee on May 8, 2024
- Reviewed Proposed FY25, Compensation, Handbook, and Benefits with Council on July 22, 2024, during the Regular Council Meeting
- Reviewed FY25 Health Fund and Benefit plan changes for 2025 on September 9, 2024, during the Regular Council Meeting
- Reviewed proposed changes for 2025 Benefit plans on October 7, 2024, during the Regular Council Meeting.

REFERENCE:

Not Applicable

FISCAL IMPACT:

Stop Loss insurance will not affect the 2025 Health Care Premium rates for employees.

In addition, the decision to remain self-funded also eliminated the need to budget additional funds for the run-off stop loss insurance (known as a Terminal Liability Option {TLO}).

Cost is variable because it is determined by actual enrollment in the medical benefit plans. This enrollment does not include those that opt-out of the City's medical plan. We are estimating an average enrollment of 390 employees for calendar year 2025 (the contract plan year), which assumes we will fill some of the current position vacancies throughout the term.

Plan Year Premiums	AVG/EST Enrolled	Annual Cost
Specific Employee Premium \$182.42	390	\$853,725.60
Aggregate Premium \$7.09	390	\$33,181.20
TOTAL		\$886,906.80

STAFF CONTACT:

Cheryl Marthiljohni
 Director of Human Resources
cmarthiljohni@burlesontx.com
 817-426-9641