

COMMISSION FILE NO: 16-164-12 **DATE INTRODUCED:** December 5, 2016

INTRODUCED BY: Executive Director (Signature on File in the Office of the Commission)

REFERRED BY COMMISSION CHAIRPERSON TO: Policy, Finance, and Personnel Committee

RELATING TO: Authorizing the Executive Director to Extend a One-year Contract for Stop Loss Insurance for the Milwaukee Metropolitan Sewerage District Group Health Insurance Benefits

SUMMARY:

The Commission is requested to authorize the Executive Director to extend a contract with BP for one year to provide stop loss insurance for the Milwaukee Metropolitan Sewerage District (District) for group health benefit payments for active employees and retirees of the District for the period of January 1, 2017 through December 31, 2017.

The District's current contract with BP for stop loss insurance will expire on December 31, 2016. The current specific stop loss benefit is for claims with a \$150,000 deductible.

ATTACHMENTS: **BACKGROUND** ☒ **KEY ISSUES** ☐ **RESOLUTION** ☒
FISCAL NOTE ☒ **S/W/MBE** ☐ **OTHER** ☐ _____

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COMMITTEE ACTION: _____ **DATE:** _____

COMMISSION ACTION: _____ **DATE:** _____

BACKGROUND

Authorizing the Executive Director to Extend a One-year Contract for Stop Loss Insurance for the Milwaukee Metropolitan Sewerage District Group Health Insurance Benefits

The District has insured its medical stop loss insurance for the past two years with BP (a UMR-owned company) after four years of coverage through Symetra Life Insurance Company. The renewal for 2017 resulted in a 24.4% increase from the current year's premiums. There is also an additional \$500,000 "laser" (\$350,000 in additional liability) on one individual who is expected to have significant treatment and claims in 2017. The District currently has a \$150,000 individual specific deductible on each covered member. A laser is attached when the insurance company sets the individual specific deductible at a higher level for one or more individuals based on significant expected claim costs in the upcoming year.

The loss ratio (paid premiums by the District vs. paid stop loss claims by BP) thus far this year has been 102%, compared to 122% last year, indicating that the stop loss carrier has paid out more claims than the District has paid in premium. The stop loss increase is directly attributed to the unfavorable loss ratio and the fact that there is a high percentage of retirees covered under the plan. The District's benefits consultant marketed the stop loss insurance to 13 different stop loss carriers and received two quotes and 11 declines. The reasons carriers cited for the declinations were uncompetitive rates, the high percentage of retirees covered, and the average age of the population covered under the plan.

The total cost of this agreement is estimated to be \$716,792 for 2017. Actual costs will depend on enrollment in the health care plans.

The current recommendation is to renew the medical stop loss insurance with BP for 2017. The reasons for the recommendation are that BP is currently the most attractive offer that is available to the District. This would result in an approximate increase in annual cost of \$139,762 on stop loss fixed fees. While an increase in stop loss fees is not ideal, the significant large claims and poor loss ratio have led to no other attractive offers. There are also benefits to staying with a stop loss carrier for multiple years, as it can allow the stop loss carrier to build a reserve, giving them some ability to absorb bigger losses in some years.

United Water Services and Veolia Water Milwaukee will reimburse the District for their share of the cost of retiree insurance pursuant to their agreements with the District.

RESOLUTION

Authorizing the Executive Director to Extend a One-year Contract for Stop Loss Insurance for the Milwaukee Metropolitan Sewerage District Group Health Insurance Benefits

RESOLVED, by the Milwaukee Metropolitan Sewerage Commission, that the Executive Director is authorized to enter into a contract with BP to provide stop loss insurance for \$150,000 in specific stop loss claims for active District employees and eligible retirees for the period January 1, 2017 through December 31, 2017, at a cost not to exceed \$90.54 per month for single coverage and \$202.08 per month for family coverage.