

Memorandum

To: FOLEY CITY COUNCIL
CC: MIKE THOMPSON
From: SANDRA PATE
Date: 11/13/2012
Re: REINSURANCE QUOTES

Please find attached four quotes for the renewal of the City's reinsurance coverage. Currently, our reinsurance company is Optum Health and we have been with them since 2009 when the City went to a fully self insured health plan. Our current 2012 rates with Optum are reflected in the far left hand column. As you will see on the spreadsheet, the current annual fixed rate with Optum is \$296,014.20. Optum's annual renewal fixed rate is \$307,632.60, a difference of \$11,618.40. .

Although SunLife has a competitive quote which falls \$5,293.20 below Optum's quote, we feel that the administrative effort saved in switching over billing to a new company would justify the price difference in the two quotes. Additionally, Optum has a proven track record with the City and has excellent customer service and a very efficient billing system in place. Therefore, our recommendation is for the City to continue with Optum and to accept Optum's renewal quote for 2013 as shown on the attached spreadsheet.

This action requires no budget adjustment, as we have budgeted sufficient funds to cover Optum's renewal quote. Should you have any questions, please feel free to contact me.

Thank you.

City of Foley
Self-Funded Administration Cost Analysis

2013

Recommended

Carrier	Optum Current	Optum Renewal	HCC	IHC	SunLife
Specific Stop Loss Deductible	\$50,000	\$50,000	\$50,000	\$50,000	\$50,000
Contract Type	48/12	48/12	24/12	24/12	24/12
Specific Premium					
75 Single	\$50.00	\$51.70	\$62.60	\$64.61	\$54.73
160 Family	\$124.70	\$129.69	\$152.56	\$144.96	\$122.12
NO LASER Renewal		Yes			Yes
Monthly Specific Premium	\$23,702.00	\$24,627.90	\$29,104.60	\$28,039.35	\$23,643.95
Annual Specific Premium	\$284,424.00	\$295,534.80	\$349,255.20	\$336,472.20	\$283,727.40
Aggregate Premium Per Employee per Month	\$4.11	\$4.29	\$4.66	\$4.95	\$6.60
235 Annual Aggregate Premium	\$11,590.20	\$12,097.80	\$13,141.20	\$13,959.00	\$18,612.00
Total Annual Fixed Costs	\$296,014.20	\$307,632.60	\$362,396.40	\$350,431.20	\$302,339.40
Aggregate Factors (Includes)					
Contract Type	48/12	48/12	24/12	24/12	24/12
75 Single	\$427.14	\$478.40	\$577.55	\$476.14	\$983.32
160 Family	\$1,131.92	\$1,267.75	\$1,326.22	\$1,294.74	\$983.32
B. Est. Aggregate Attachment Point (125%)	\$2,557,712.40	\$2,864,640.00	\$3,066,137.40	\$2,914,426.80	\$2,772,962.40
C. Expected Claims (100%)	\$2,046,169.92	\$2,291,712.00	\$2,452,909.92	\$2,331,541.44	\$2,218,369.92
Total Annualized Maximum Costs (A+B)	\$2,853,726.60	\$3,172,272.60	\$3,428,533.80	\$3,264,858.00	\$3,075,301.80
Total Annualized Expected Costs (A+C)	\$2,342,184.12	\$2,599,344.60	\$2,815,306.32	\$2,681,972.64	\$2,520,709.32

Note: Rates are rounded to the third decimal place and all other figures to the second decimal place. This accounts for any small discrepancy in cost calculations. Actual rates and contract provisions will be determined by the specific carrier after completion of underwriting.

307,632.60 Optum
- 302,339.40 SunLife
\$5,293.20

RESOLUTION NO. -12
APPROVING CITY'S REINSURANCE PROVIDER

WHEREAS, the City obtained quotes for reinsurance coverage for health care claims, and
WHEREAS, the City's current provider for reinsurance is Optum Health who has carried reinsurance for the City since the City became self insured in 2009, and

WHEREAS, the City's current annual fixed rate with Optum is \$296,014.20 and the annual renewal fixed rate quote is \$307,632.60, a difference of \$11,618.40, and

WHEREAS, Human Resources has budgeted sufficient funds to cover the new renewal rates for 2013.

NOW THEREFORE BE IT RESOLVED that the City Council of the City of Foley, Alabama, as follows:

SECTION 1: The City accepts Optum's 2013 quote for reinsurance coverage as shown on the attached spreadsheet.

SECTION 2: No budget adjustment is required for this action.

SECTION 3: This Resolution shall become effective immediately upon its adoption as required by law.

PASSED, ADOPTED AND APPROVED THIS 19th day of November 2012.

John E. Koniar, Mayor

ATTEST:

Vickey Southern, CMC
City Clerk