

## MEMORANDUM

April 3, 2020

TO: Mayor John P. Kahl and Members of City Council

FROM: City Attorney's Office (Scott A. Brunton)

SUBJECT: Resolution for the City's Group Health Care Plan: Reinsurance Contract for the 2020-2021 Plan Year

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### DISCUSSION:

Annually, the City's Insurance and Benefits Committee reviews the City's self-funded Group Health Care Plan and the financial status of the Plan. With the assistance of Consociate (the Third Party Administrator for the Plan) and Leaf Health (Prescription Benefits Manager Consultant), the Insurance Committee undertakes this review process. At this point in time, the Insurance Committee has completed the review of the reinsurance contract and rates for the Plan, which includes a review and analysis of the individual specific deductible level under the reinsurance contract. This process includes seeking and obtaining reinsurance quotes from several reinsurance companies, although some companies do not provide quotes for various reasons, including the large number of retirees on the City's Plan.

The Committee is recommending approval of a reinsurance contract with Reunion Health Services Inc. for the upcoming Plan year. The City's current reinsurance provider, Excess Risk (an Ironshore company), has been acquired by Liberty Mutual Insurance and did not provide a competitive quote. Prior to the buyout of Excess Risk, many principals with Excess Risk left the company and created a new reinsurance carrier under the name of Reunion Health Services. As a result, the folks at Reunion Health Services are familiar with the City's Plan, thereby allowing them to provide a competitive reinsurance proposal for the upcoming 2021 fiscal year.

The Committee is also recommending that the specific deductible remain at \$110,000 for the upcoming new plan year, finding this deductible level to be the most cost effective for the City's Plan. The reinsurance rates quoted by Reunion Health Services are an overall 4% increase over current rates for specific and aggregate reinsurance coverages, which were the best rates by a fair amount over other quotes.

### RECOMMENDATION:

The Insurance and Benefits Committee, as well as our office, recommends that the Council pass this Resolution regarding the reinsurance contract for the City's Group Health Care Plan.

**RESOLUTION NO. 1920-134**

**East Peoria, Illinois**

\_\_\_\_\_, 2020

**RESOLUTION BY COMMISSIONER \_\_\_\_\_**

**RESOLUTION REGARDING REINSURANCE CARRIER  
FOR THE CITY'S GROUP HEALTH INSURANCE PLAN**

**WHEREAS**, the City of East Peoria maintains a self-insured group health care plan ("Plan") for the benefit of its employees, and the City's Insurance and Benefits Committee oversees the Plan; and

**WHEREAS**, in order to secure the financial viability of the Plan, the City obtains reinsurance (stop loss) coverage for the Plan which covers large and catastrophic claims made against the Plan by persons covered under the Plan or catastrophic charges made against the Plan by the group of covered persons as a whole; and

**WHEREAS**, the City's Insurance and Benefits Committee has recently completed their annual review of quotes for renewal of this reinsurance coverage from several insurance companies in an effort to obtain the best coverage at the lowest cost to the City and its employees; and

**WHEREAS**, the City's Insurance and Benefits Committee has also recently reviewed the appropriate and most cost-effective level of deductible for the individual specific reinsurance coverage that is obtained as part of the City's reinsurance coverage for the Plan, and has determined that it is in the best interests of the City and the Plan to maintain the specific deductible for each covered individual at \$110,000 per year; and

**WHEREAS**, the Insurance Committee has reviewed the quotes for reinsurance coverage for the Plan for the upcoming 2021 fiscal year, and recommends that the City contract again with Reunion Health Services Inc., which has provided a quote for the 2021 fiscal year that consists of a small increase in individual specific rates over the rates for the current 2019-2020 fiscal year, which are the best and lowest responsible rates for reinsurance coverage for the Plan for the 2021 fiscal year, based upon the quotes for individual specific monthly premium rates for single coverage at \$77.58 per employee, for employee plus children coverage at \$137.17 per employee, for employee plus spouse coverage at \$152.07 per employee, and family coverage at \$207.93 per employee, and for aggregate monthly premium rates at \$7.86 per employee (no change), as set forth in the attached rate proposal as "Option 1" in Exhibit A, attached hereto and incorporated herein by reference (the "Proposal");

**NOW, THEREFORE, BE IT RESOLVED BY THE COUNCIL OF THE CITY OF EAST PEORIA, TAZEWELL COUNTY, ILLINOIS, THAT:**

**Section 1.** The City adopts the recommendation made by the Insurance Committee to obtain reinsurance coverage for the City's Group Health Care Plan from Reunion Health Services Inc. for the 2021 fiscal year at the rates set forth in Option 1 of the Proposal, while maintaining the individual specific deductible at \$110,000 per year. Further, this Resolution ratifies any prior action taken by City officials to lock in these quoted rates with Reunion Health Services Inc. for the 2021 fiscal year.

**Section 2.** The Mayor, or his designee, is hereby authorized to take the necessary action to execute and implement an agreement for the reinsurance coverage with Reunion Health Services Inc. as set forth in the Proposal (Exhibit A) for the 2021 fiscal year that begins May 1, 2020.

**APPROVED:**

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Mayor

**ATTEST:**

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City Clerk

**EXHIBIT A**

**Reinsurance Rate Proposal Reunion Health Services Inc.  
2021 Plan Year (commencing May 1, 2020)**



City of East Peoria - Effective: 05/01/2020

Stop Loss Terms		Current	Option 1
<b>Market</b>		Ironshore, Inc. a Liberty Mutual Company	Reunion Health Services, Inc.
<b>Network</b>		First Choice Methodist/PHCS	First Choice Methodist/PHCS
Months in Contract		12	12
<b>Specific</b>			
Deductible		\$110,000	\$110,000
Family Deductible		No	No
Aggregating Specific		\$100,000	\$100,000
Maximum Coverage Limit		Unlimited	Unlimited
Contract		24/12	24/12
Coverages		Med, Rx	Med, Rx
Run-In / Run-Out Limit			
Terminal Liability Provision		No	No
IRO Extended Liability		No	No
Renewal Rate Cap (No New Laser)		Yes, 50.00%	Yes, 50.00%
Gap Less Renewal		No	No
Plan Mirroring Coordination		No	No
Advance Funding		Yes	Yes
<b>Aggregate</b>			
Annual Maximum		\$1,000,000	\$1,000,000
Deductible Corridor		125%	125%
Contract		24/12	24/12
Coverages		Med, Rx, Den, Vis	Med, Rx, Den, Vis
Run-In / Run-Out Limit			
<b>Stop Loss Premium (Fixed)</b>			
Specific	Employee	85 \$	72.69 \$
	Emp+Spouse	78 \$	138.11 \$
	Emp+Child	23 \$	123.57 \$
	Family	84 \$	218.07 \$
	<b>Annual Specific Premium</b>	\$	457,334.64 \$
Aggregate	Composite	270 \$	5.47 \$
<b>Total Annual Premium</b>		<b>\$ 475,057.44</b>	<b>\$ 494,387.88</b>
<b>% Increase</b>			<b>4.07%</b>