

MEMORANDUM

April 1, 2022

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

FROM: Scott A. Brunton, City Attorney

SUBJECT: Resolution for the City's Group Health Care Plan: Reinsurance Contract for the 2022-2023 Plan Year

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), the Insurance Committee undertakes this review process. The Insurance Committee has completed the review of the reinsurance contract and rates for the Plan for the new Plan Year that starts on May 1, 2022, which includes a review and analysis of the individual specific deductible level under the reinsurance contract. This review process includes seeking and obtaining reinsurance quotes from several reinsurance companies, although some companies do not provide quotes for various reasons.

The Committee is recommending approval of renewal of the reinsurance contract with Reunion Health Services Inc. for the upcoming Plan year. The City has contracted with Reunion Health Services for the last couple of years, and Reunion Health Services has again provided the most competitive and viable rates for the upcoming 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 will be an increase of 6.0% from the current rates for individual specific coverage for the new Plan year starting on May 1, 2022, while the rate for aggregate coverage is unchanged, resulting in an over increase of 5.7% for this reinsurance coverage for the City's Group Health Care Plan.

RECOMMENDATION:

The Insurance and Benefits Committee, as well as our office, recommends that the Council pass this Resolution.

RESOLUTION NO. 2122-138

East Peoria, Illinois

_____, 2022

RESOLUTION BY COMMISSIONER _____

**RESOLUTION REGARDING REINSURANCE CARRIER
FOR THE CITY'S GROUP HEALTH INSURANCE PLAN
FOR THE 2022-2023 PLAN YEAR**

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 and Benefits Committee has reviewed the quotes for reinsurance coverage for the Plan for the upcoming 2022-2023 fiscal year, and recommends that the City contract again with Reunion Health Services Inc., which has provided a quote for the 2022-2023 fiscal year that consists of a small increase in individual specific rates over the rates for the current 2021-2022 fiscal year, which are the best and lowest responsible rates for reinsurance coverage for the Plan for the 2022-2023 fiscal year, based upon the quotes for individual specific monthly premium rates for single coverage at \$84.37 per employee, for employee plus children coverage at \$143.43 per employee, for employee plus spouse coverage at \$160.30 per employee, and family coverage at \$253.11 per employee, and for aggregate monthly premium rates at \$8.54 per employee, as set forth in the attached rate proposal as "Renewal" 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 and Benefits Committee to obtain reinsurance coverage for the City's Group Health Care Plan from Reunion Health Services Inc. for the 2022-2023 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 2022-2023 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 2022-2023 fiscal year that begins May 1, 2022.

APPROVED:

Mayor

ATTEST:

City Clerk

EXHIBIT A

**Reinsurance Rate Proposal Reunion Health Services Inc.
2022-2023 Plan Year (commencing May 1, 2022)**



City of East Peoria - Effective: 05/01/2022

Stop Loss Terms		Current		Renewal	
Market		Reunion Health Services, Inc.		Reunion Health Services, Inc.	
Network		First Choice Methodist/PHCS Multiplan wrap		First Choice Methodist/PHCS Multiplan wrap	
Months in Contract		12		12	
Specific					
Deductible		\$110,000		\$110,000	
Family Deductible		No		No	
Separate Individual Deductible		\$400,000			
Aggregating Specific		\$100,000		\$100,000	
Maximum Coverage Limit		Unlimited		Unlimited	
Contract		24/12		24/12	
Coverages		Med, Rx, Den, Vis		Med, Rx, Den, Vis	
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		Yes		Yes	
Advance Funding		Yes		Yes	
Aggregate					
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					
Stop Loss Premium (Fixed)					
Specific	Employee	82 \$	79.61 \$	84.37 \$	
	Emp+Spouse	78 \$	151.26 \$	160.30 \$	
	Emp+Child	23 \$	135.34 \$	143.43 \$	
	Family	84 \$	238.83 \$	253.11 \$	
Annual Specific Premium		\$	498,010.08 \$	527,782.44 \$	
Aggregate	Composite	267 \$	8.54 \$	8.54 \$	
Total Annual Premium		\$	525,372.24 \$	555,144.60 \$	
% Increase				5.67%	