

DENVER BOARD OF WATER COMMISSIONERS

Meeting Date: July 13, 2011

Board Item: V-E-1

2012 Cigna Stop Loss Renewal

Action by Consent

Action

Information

Denver Water's current insurance agreement with CIGNA for Stop Loss insurance coverage ends December 31, 2011.

In January 2011, Human Resources brought an information item to the Board regarding whether to issue a RFP for medical and stop loss coverage. The consensus of the Board was to not issue a RFP at that time based on the estimated cost of doing so.

Stop loss coverage provides reimbursement of claim costs that exceed an established individual stop loss (ISL) limit. That limit has been set at \$200,000 since 2010. In 2010 Denver Water paid \$1,087,339 in premiums for stop loss coverage and received \$735,201 in reimbursements. The estimated cost of coverage for 2011 is \$1,300,000.

Denver Water has seen the following increases in ISL coverage over the last few years:

Renewal Year	Amount of ISL (Individual Stop Loss)	Increase In Premium Cost Over Prior Year	Comments
2011	\$200,000	19%	Includes the elimination of a lifetime maximum per health care reform
2010	\$200,000	-5%	DW moved to a new network which lowered ISL cost, and increased ISL to \$200,000 for a lower premium cost
2009	\$165,000	19%	
2008	\$165,000	4%	DW increased ISL to \$165,000
2007	\$150,000	Not applicable	This was the first year of ISL

CIGNA is offering a guaranteed increase in 2012 of 13% for \$200,000 ISL, **or** a 4% guaranteed increase for \$220,000 ISL.

Under CIGNA's proposal, the cost in 2012 for continuing the current stop loss coverage at the \$200,000 limit is \$101.30 per employee, per month (PEPM) or approximately \$1,450,000/year. Alternatively, the Board may raise the Stop Loss Limit to \$220,000 which would be \$93.24 PEPM or approximately \$1,350,000/year.

The rates proposed by CIGNA have a 60 day renewal period which expires August 22, 2011. If Denver Water chooses to wait until after that time to renew the agreement, CIGNA could increase the premium costs by 15% to 20%. Approving the rates now allows Denver Water to have potential premium savings in 2012 of \$25,000 to \$90,000 at the \$200,000 ISL, and \$140,000 to \$200,000 at the \$220,000 ISL.

Recommendation

In light of the elimination of life time limits, risk exposure and Leif's recommendation, it is recommended that the Board maintain the stop loss limit at \$200,000 at an approximate cost of \$1,450,000 per year.

Approvals:



Carla Elam-Floyd
Director of Human Resources

Respectfully submitted,



James S. Lochhead, CEO/Manager


Patricia Wells
General Counsel