



CITY OF WAUWATOSA
7725 WEST NORTH AVENUE
WAUWATOSA, WI 53213
Telephone: (414) 479-8917
Fax: (414) 479-8989
www.wauwatosa.net

BUDGET & FINANCE COMMITTEE
Special Meeting
Tuesday, May 15, 2007

PRESENT: Alds. Becker, Ewerdt, Grimm, Hanson, Krol; Maher; Purins, Stepaniak -8

ALSO J. Archambo, City Admin.; B. Aldana, Human Resources Dir.; R. Braier, Finance Dir.;
PRESENT: Alds. Birschel, Didier

Ald. Stepaniak in the Chair called the meeting to order at 7:00 p.m.

Stop Loss Insurance Renewal

The committee reviewed a memo from the Human Resources Director regarding renewal of stop loss insurance for the city's self-insured plan effective June 1, 2007 through May 31, 2008. Although the plan is self-funded, the city purchases stop-loss coverage to provide a cap on both its specific liability (individual claims) as well as aggregate liability (the total of the entire group's claims). Historically, the city pays claims up to \$75,000 on each individual before the stop loss insurance begins paying claims. The aggregate limit is typically 125% of expected claims; i.e., the stop loss insurance will pay if the city's total claims for the contract year exceed 125% of expected or projected claims for that year. The Hartford is the current stop loss carrier, and approval of their Option 1 renewal bid with a specific deductible of \$75,000 is recommended.

Ms. Aldana explained that the city solicits bids through Health Care System Consultants and through Auxiant, our third-party administrator. A summary of the six best bids was provided. Timing of the approval process is based on the fact that carriers look at claim experience and want recent data before locking in for the next year. Although there is an increase of 11% in the recommended renewal, that figure is below the overall trend in this type of coverage. Ms. Aldana noted that the individual or specific liability amount is based more on a carrier's individual pool of business than on Wauwatosa's specific trend; i.e., The Hartford is not saying that Wauwatosa's trend is up 11%. Health Care System Consultants provides the city with expertise on health care matters in general and is consulted when the city issues an RFP for stop loss coverage, plan design changes, and similar issues.

Greg Bass, Health Care System Consultants, 2323 N. Mayfair Road, said that he and his partners operate the largest public sector health care consulting group in Wisconsin. He described his background and the company's areas of expertise and noted that all of their public sector business is based on projected and hourly fees, not on any type of commissions. Mr. Bass said that The Hartford's original contract with the city was quite a bit under market, but there was an increase last year and an increase of about 20% was also anticipated this year given the stop loss marketplace and what has been seen in most public sector groups. However, as noted, the premium adjustment came in with an 11% increase. The biggest problem in the past has been with "laser" situations where a particular individual or group of individuals has a large risk factor. Since The Hartford bid does not include any "laser" and is under market, it was deemed appropriate to recommend that renewal.

In response to questions, Ms. Aldana and Mr. Bass explained the disclosure process that leads carriers to “laser out” particular individuals who they believe present a significant ongoing risk. Federal HIPAA regulations allow such disclosure for the purpose of underwriting. Mr. Bass went on to explain the terminology and amounts in The Hartford renewal submittal. Having a “paid” contract type means that any claim incurred going back 12 months is covered, eliminating any gaps in stop loss coverage. On the question of raising the specific deductible amount, Mr. Bass noted that the ultimate goal in the public sector is to protect the established budget. Raising the \$75,000 specific stop loss amount raises the city’s risk and is ultimately reflected in the maximum liability.

Moved by Ald. Krol, seconded by Ald. Becker to recommend acceptance of The Hartford Option 1 renewal bid, as recommended by the City Administrator and Director of Human Resources –

In answer to further questions about the bid process, Ms. Aldana said that both Health Care System Consultants and Auxiant are used because they cover different markets. Mr. Bass explained that he is able to get discounts or proprietary prices from certain administrators, and Auxiant likewise goes to certain carriers with which they have a proprietary advantage. Together, they look at 20-30 carriers every year. Asked about longer-term contracts, Mr. Bass said that the marketplace does not generally offer contracts longer than one year. The issue in converting to a calendar year contract has been that carriers are willing to provide a short contract but less willing to give an extended contract at a fair price.

Vote on the motion, Ayes: 8

The meeting adjourned at 7:25 p.m.

Carla A. Ledesma, City Clerk
City of Wauwatosa

es