
August 26, 2020

Tammie L. Hechler
2600 Hollywood Blvd, Suite 206
City of Hollywood, FL 33022

Re: 2021 Gehring Group Recommendation of Renewals

Dear Ms. Hechler,

The City of Hollywood has the following lines of coverages expiring 12/31/20:

- Stop Loss Insurance
- Vision Insurance
- Life and AD&D Insurance
- Long Term Disability Insurance
- Employee Assistance Program

The subsequent information includes Gehring Group's recommendation of renewals for each of these lines of coverages:

Stop Loss Insurance:

Currently, the City holds stop loss insurance for both Individual Stop Loss (ISL) and Aggregate Stop Loss with Cigna who also administers the City's self insured health insurance program. For the 2020 calendar year to date, there are 15 large claimants with claims exceeding \$100,000, totaling \$2.4 million in claims. Of these large claimants, there is currently 1 large claim exceeding the ISL threshold of \$350,000 with stop loss reimbursements for the 2020 CY of \$29,883. Historically there has been 2 large claims over the \$350,000 ISL since 2015 (ranges from 1 claimant 4 claimants per year).

Gehring Group has conducted an analysis that explores various options of lowering and raising the ISL to determine the optimal threshold based on the City's historical large claims. Through this analysis, Gehring Group is recommending that the City not change their ISL threshold of \$350,000 due to various factors including: premium changes, historical claims, and the current forecast of the large claimants.

It is Gehring Group's recommendation that the City renew the stop loss insurance with Cigna at the current ISL threshold, guaranteed for 12 months. This renewal results in a 9.7% increase to the current rates (10% increase on the ISL and 4.2% on the ASL premium). This increase is in line with market trend which is mainly due to the forecasted increase in health and prescription costs (specifically specialty and gene therapy medications). In addition, combining the stop loss vendor with the ASO administrator allows for faster and more accurate stop loss reimbursements to the City.

- Carrier: CIGNA
- ISL Premium (City paid): \$42.77 PEPM
- ASL Premium (City paid): \$2.50 PEPM
- Rate Guarantee: 12 Months

Vision Insurance:

Currently, the City offers 3 vision plans to the City's members under a fully insured contract with VSP. In 2018 the loss ratio (claims divided by premium) was 71.2%, 85.4% in 2019, and 67.5% in the rolling 12 months. In the rolling 12 months of claims, there was a large decrease in claims for the months of April and May 2020 due to the COVID-19 pandemic and lack of access to care. If we remove April and May, the loss ratio increases to 77%. With a target of 75%, the City's vision claims experience is running very well.

Through negotiations, VSP has agreed to enhancing the City's 3rd plan (buy-up plan) by reducing the Progressive Lenses Benefit from a \$150-\$175 copay to a \$30 copay. In addition, VSP has agreed to a no rate increase, guaranteed for 24 months, with no network changes.

It is Gehring Group's recommendation that the City renew the vision insurance with VSP at a 0% increase, guaranteed for 24 months.

- Carrier: VSP
- Premium (Employee paid): 0% increase
- Rate Guarantee: 24 months

Life and AD&D Insurance:

Currently, the City holds Life and AD&D insurance with Symetra and includes the following policies:

- Active Employee Basic Life and AD&D (City Paid)
- DROP and Retiree Basic Life and AD&D (Member Paid)
- Employee Supplemental Life and AD&D (Employee Paid)
- Dependent Supplemental Life (Employee Paid)

Since 2017 the City's Life and AD&D claims have been favorable at an average loss ratio of 60.3% for Basic Life, 34% for Employee Supplemental Life, and 48.5% for Dependent Supplemental Life. Leveraging this claims experience, Gehring Group negotiated a 2% premium reduction on the Employee Basic Life and AD&D and a 0% increase for the remaining policies. These rates are guaranteed for 24 months with no change to the benefit plan designs.

It is Gehring Group's recommendation that the City renew the Life and AD&D Insurance with Symetra at the 2% reduction for Employee Basic Life and AD&D and 0% for the remaining policies, guaranteed for 24 months.

- Carrier: Symetra
- Employee Basic Life and AD&D Premium (City paid): -2% decrease
- DROP / Retiree and Employee/Dependent Life and AD&D (Member paid): 0% increase
- Rate Guarantee: 24 Months

Long Term Disability:

Currently, the City holds long term disability (LTD) with Symetra for the approved classification of employees. Since the number of covered lives is under the required threshold, claims experience is not available for this line of coverage. Gehring Group was able to leverage the City's Life and AD&D Insurance, held also by Symetra, to negotiate a decrease in the LTD premium.

Gehring Group is recommending that the City renew the long term disability with Symetra at a -2.7% decrease in premium, guaranteed for 24 months with no changes to the benefit plan design. Combining life and LTD coverage with the same carrier also produces synergy with the members claim filing process.

- Carrier: Symetra
- Premium (City paid): -2.7% decrease
- Rate Guarantee: 24 Months

Employee Assistance Program:

Currently, the City offers members an Employee Assistance Program (EAP) through CCA which includes unlimited counseling sessions for employees and their dependents. The EAP also allows for additional services such as educational seminars, trainings, wellness seminars, and crisis management.

Historic utilization of the EAP has been high at about double that of the industry standard (9.75% vs. 4.5% utilization). In addition, the City's team has acknowledged that they and their employees have found great value from CCA and are overall satisfied with their program.

Through negotiations, Gehring Group was able to increase the number of hours being offered onsite for Training and Wellness Seminars from four (4) one hour seminars to five (5) one hour seminars. This added benefit is important in the current state of the pandemic and provides additional support for employees. Additionally, CCA has agreed to a no increase in the premium, guaranteed for 36 months.

Gehring Group is recommending that the City renew the EAP with CCA at a 0% increase in premium, guaranteed for 36 months with increased onsite hours.

- Carrier: CCA
- Premium (City paid): 0% increase
- Rate Guarantee: 36 months

Please don't hesitate to reach out with any additional questions.

Thank you,

Dustin Kuehn

Dustin Kuehn, Senior Benefits Consultant
Gehring Group