



City of Denton

City Hall
215 E. McKinney Street
Denton, Texas
www.cityofdenton.com

AGENDA INFORMATION SHEET

DEPARTMENT: Procurement
ACM: Cassey Ogden
DATE: November 14, 2023

SUBJECT

Consider adoption of an ordinance of the City of Denton, a Texas home-rule municipal corporation, authorizing the City Manager to execute a contract with Stealth Partner Group, LLC, for Individual and Aggregate Stop Loss (Reinsurance) Insurance coverage for the Human Resources Department; providing for the expenditure of funds therefor, and providing an effective date (RFP 8339 – awarded to Stealth Partner Group, LLC, for three (3) years, with the option for two (2) additional one (1) year extensions, in the total five (5) year not-to-exceed amount of \$38,864,326.00).

STRATEGIC ALIGNMENT

This action supports Key Focus Area: Pursue Organizational Excellence and Collaborative and Respectful Leadership.

INFORMATION/BACKGROUND

The City requested competitive proposals for Individual and Aggregate Stop Loss (Reinsurance) Insurance coverage. Stop loss insurance helps to protect the City from catastrophic health claims by providing a cap on medical care expenses paid out by the City on behalf of the employees, retirees, and dependents that are covered under the health plan.

Individual stop loss (ISL) insurance provides a cap on an individual member basis (employee, retiree, dependent) at a pre-determined amount (the City's current individual threshold is \$185,000). Therefore, after an individual plan member's medical claims exceed \$185,000 in a calendar year, the stop-loss company begins reimbursing the City for covered expenses. The City's current ISL rate is \$188.85 per employee per month (PEPM).

Aggregate stop loss (ASL) provides a cap for the health plan in totality. If the total health care costs for all members exceed the expected plan costs (as calculated by the stop-loss insurance company based on month-to-month enrollment levels) by 25%, then the stop-loss insurance company reimburses the City for those costs, up to a maximum of \$1,000,000 in a calendar year. The City's current ASL rate is \$4.82 PEPM.

Stop-loss insurance has been provided through United Healthcare Insurance Company (UHC) since January 1, 2014. Our last renewal under our contract with UHC ends on December 31, 2023.

With the current contract ending on December 31, 2023, RFP #8339 was sent out to the stop-loss insurance markets. The City received one response to the RFP, which includes UHC's rates and services through Stealth Partner Group, LLC. Table 1 below lists the companies that received the RFP and responded.

Table 1 – Proposed Stop Loss Bid Responses	
<u>Company</u>	
Berkshire Hathaway	Quoted -- \$250,000 ISL Only
Symetra	Quoted – All requests
UnitedHealthcare	Quoted – All requests
Voya	Quoted – All requests

Quotes include a \$185,000 ISL level, which is consistent with our current ISL level, in addition to a \$200,000, \$225,000, and \$250,000 ISL as requested in the RFP. Based on the average number of claims that have exceeded our ISL threshold in prior years, a higher threshold ISL is not recommended. There are potential premium savings at the \$250,000 ISL level, but it would expose the City to an additional \$65,000 in claims cost per covered member resulting in a loss of premium savings if the medical plan experienced five (5) or more claims at \$65,000 or greater.

The proposal was reviewed by the City's benefits consultant, McGriff, Seibels, & Williams, and an evaluation team that included staff from the City's Employee Insurance Committee (EIC), Human Resources, and other departments.

UHC's proposal, submitted by Stealth Partner Group, LLC, provides the lowest overall cost, with an overall increase of 7.43% compared to current rates. The requested not-to-exceed amount is calculated using an estimated 20% rate increase year-over-year with a built-in 10% contingency; however, the contract renewal rate cap is set at 40%. The 40% renewal rate cap is unlikely and would be the result of a prior poor claims experience year.

Project Description	Estimated 5-Year Expenditure
Stop Loss (Reinsurance) – Year 1*	\$4,644,150.00
Stop Loss (Reinsurance) – Year 2* (1,691 plus 5% = 1,776 count)	\$5,851,627.00
Stop Loss (Reinsurance) – Year 3* (1,776 plus 5% = 1,864 count)	\$7,373,050.00
Stop Loss (Reinsurance) – Year 4* (1,864 plus 5% = 1,958 count)	\$9,290,044.00
Stop Loss (Reinsurance) – Year 5* (1,958 plus 5% = 2,055 count)	\$11,705,455.00
Total:	\$38,864,326.00

**Includes 10% contingency*

Request for Proposals was sent to 133 prospective suppliers, including three (3) Denton firms. In addition, specifications were placed on the Procurement website for prospective suppliers to download and advertised in the local newspaper. One (1) proposal was received, and references were checked to ensure the vendor can provide the services requested in the Scope of Work. The proposal was evaluated based upon published criteria including compliance with specifications, probable performance, and price. The department is awarding the contract to Stealth Partner Group, LLC.

NIGP Code Used for Solicitation:	953 - (Service Only) - Insurance and Insurance Services, (All Types)
Notifications sent for Solicitation sent in IonWave:	133
Number of Suppliers that viewed Solicitation in IonWave:	5
HUB-Historically Underutilized Business Invitations sent out:	13
SBE-Small Business Enterprise Invitations sent out:	25
Responses from Solicitation:	1

RECOMMENDATION

Award a contract with Stealth Partner Group, LLC, for Individual and Aggregate Stop Loss (Reinsurance) Insurance coverage for the Human Resources Department, in a three (3) year, with the option for two (2) additional one (1) year extensions, in the total five (5) year not-to-exceed amount of \$38,864,326.

PRINCIPAL PLACE OF BUSINESS

Stealth Partner Group, LLC
Dallas, TX

ESTIMATED SCHEDULE OF PROJECT

This is a three (3) year contract, with the option to renew for two (2) additional one (1) year periods, with all terms and conditions remaining the same. Services under this contract will begin on January 1, 2024.

FISCAL INFORMATION

These services will be funded from the Health Insurance Fund accounts, 850500.6712 for \$38,864,326. Requisition #162519 has been entered into the Purchasing software system in the amount of \$4,644,150. The budgeted amount for this item is \$38,864,326.

EXHIBITS

Exhibit 1: Agenda Information Sheet
Exhibit 2: Presentation
Exhibit 3: Ordinance and Contract

Respectfully submitted:
Lori Hewell, 940-349-7100
Purchasing Manager

For information concerning this acquisition, contact: Linda Kile, 940-349-8388.

Legal point of contact: Marcella Lunn at 940-349-8333.