MEMORANDUM

To: Members of the City Commission

From: Lisa Agnor, City Manager

Date: November 6, 2015

Subject: Presentation regarding placement of Medical/Rx and Dental Plan coverage for the City of Marshall health and dental insurance for January 1, 2016 – December 31, 2016

Burke Sunday, with Gallagher Benefit Services, will be at the meeting to present information and answer questions regarding the renewal quote received from Blue Cross Blue Shield for health and dental insurance for City employees. A summary of information is attached.

Arthur J. Gallagher & Co.
BUSINESS WITHOUT BARRIERS™

Medical/Rx and Dental Plans Renewal Presentation

NOVEMBER 12, 2015

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Section 1

EXECUTIVE SUMMARY

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Executive Summary

- Medical/Rx Plans History
  - RFP in Fall 2013 –
    - The "ask" for a one (1) contract with three (3) optional years by mutual agreement
  - Blue Cross Blue Shield of Texas "won" the Best and Final round: -0.00% (2013 Plan Year Rates)

- Dental Plan History
  - RFP in Fall 2013 –
    - The "ask" for a one (1) contract with three (3) optional years by mutual agreement
  - Blue Cross Blue Shield of Texas "won" the Best and Final round: -0.00% (2013 Plan Year Rates)

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Section 2

MEDICAL/RX PLAN REPORTING EXHIBIT

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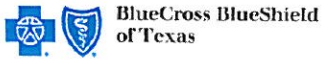
Medical/Rx Plans Reporting



- Paid Premium versus Paid Medical/Rx Claims – January 2013 – December 2013

MONTH	PREMIUM	MEDICAL PAID CLAIMS	PHARMACY PAID CLAIMS	CAPITATION	TOTAL PAID	MEDICAL AND PHARMACY LOSS RATIO
JAN'13	$117,083	$81,604	$16,806	$0	$98,410	84.1%
FEB'13	$116,687	$97,924	$19,011	$0	$116,935	100.2%
MAR'13	$116,111	$67,451	$23,113	$0	$90,564	78.0%
APR'13	$118,180	$32,068	$16,941	$0	$49,009	41.5%
MAY'13	$115,163	$25,030	$20,131	$0	$45,161	39.2%
JUN'13	$114,693	$43,435	$15,523	$0	$58,958	51.4%
JUL'13	$113,842	$65,340	$10,940	$0	$76,280	67.0%
AUG'13	$113,782	$238,667	$26,498	$0	$265,164	233.0%
SEP'13	$114,821	$64,227	$15,232	$0	$79,460	69.2%
OCT'13	$115,217	$59,773	$16,854	$0	$76,628	66.5%
NOV'13	$115,612	$55,565	$21,802	$0	$77,367	66.9%
DEC'13	$114,276	$67,095	$18,474	$0	$85,570	74.9%
SUMMARY	$1,385,466	$898,180	$221,325	$0	$1,119,505	80.8%

- Paid Premium versus Paid Medical/Rx Claims – January 2014 – December 2014

MONTH	PREMIUM	MEDICAL PAID CLAIMS	PHARMACY PAID CLAIMS	CAPITATION	TOTAL PAID	MEDICAL AND PHARMACY LOSS RATIO
JAN'14	$113,656	$105,661	$22,301	$0	$127,963	112.6%
FEB'14	$108,248	$52,980	$18,552	$0	$71,532	66.1%
MAR'14	$107,061	$57,197	$18,956	$0	$76,153	71.1%
APR'14	$106,270	$88,590	$17,338	$0	$105,928	99.7%
MAY'14	$107,152	$50,426	$20,882	$0	$71,308	66.5%
JUN'14	$106,606	$102,031	$16,435	$0	$118,467	111.1%
JUL'14	$104,568	$102,529	$16,144	$0	$118,673	113.5%
AUG'14	$107,002	$102,610	$25,978	$0	$128,588	120.2%
SEP'14	$106,532	$52,236	$30,877	$0	$83,112	78.0%
OCT'14	$108,131	$50,127	$32,834	$0	$82,961	76.7%
NOV'14	$108,467	$42,414	$26,426	$0	$68,840	63.5%
DEC'14	$108,467	$61,484	$29,548	$0	$91,032	83.9%
SUMMARY	$1,292,160	$868,286	$276,272	$0	$1,144,557	88.6%

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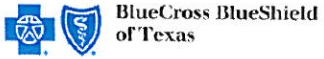
Medical/Rx Plans Reporting



- Paid Premium versus Paid Medical/Rx Claims – October 2013 – September 2014

MONTH	PREMIUM	MEDICAL PAID CLAIMS	PHARMACY PAID CLAIMS	CAPITATION	TOTAL PAID	MEDICAL AND PHARMACY LOSS RATIO
OCT'13	$115,217	$59,773	$16,854	$0	$76,628	66.5%
NOV'13	$115,612	$55,565	$21,802	$0	$77,367	66.9%
DEC'13	$114,276	$67,095	$18,474	$0	$85,570	74.9%
JAN'14	$113,656	$105,661	$22,301	$0	$127,963	112.6%
FEB'14	$108,248	$52,980	$18,552	$0	$71,532	66.1%
MAR'14	$107,061	$57,197	$18,956	$0	$76,153	71.1%
APR'14	$106,270	$88,590	$17,338	$0	$105,928	99.7%
MAY'14	$107,152	$50,426	$20,882	$0	$71,308	66.5%
JUN'14	$107,092	$102,031	$16,435	$0	$118,467	110.6%
JUL'14	$105,054	$102,529	$16,144	$0	$118,673	113.0%
AUG'14	$107,488	$102,610	$25,978	$0	$128,588	119.6%
SEP'14	$107,018	$52,236	$30,877	$0	$83,112	77.7%
SUMMARY	$1,314,143	$896,694	$244,594	$0	$1,141,289	86.8%

- Paid Premium versus Paid Medical/Rx Claims – October 2014 – September 2015

Month	Premium	Medical Paid Claims	Pharmacy Paid Claims	Capitation	Total Paid	Medical and Pharmacy Loss Ratio
Oct 2014	$108,131	$50,127	$32,834		$82,961	76.7%
Nov 2014	$108,467	$42,414	$26,426		$68,840	63.5%
Dec 2014	$108,467	$61,484	$29,548		$91,032	83.9%
Jan 2015	$117,404	$63,660	$36,117		$99,777	85.0%
Feb 2015	$119,124	$45,205	$25,893		$71,098	59.7%
Mar 2015	$116,968	$75,870	$36,774		$112,644	96.3%
Apr 2015	$114,164	$57,016	$23,809		$80,825	70.8%
May 2015	$114,951	$48,360	$32,810		$81,170	70.6%
Jun 2015	$114,662	$93,623	$21,456		$115,079	100.4%
Jul 2015	$115,900	$113,485	$36,045		$149,529	129.0%
Aug 2015	$115,688	$249,320	$22,897		$272,217	235.3%
Sep 2015	$115,155	$79,645	$21,081		$100,725	87.5%
Summary	$1,369,081	$980,208	$345,689		$1,325,897	96.8%

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Medical/Rx Plans Underwriting

- Blue Cross Blue Shield – Initial Cost Projections

Projected Enrollment	240
Total Projected Net Claims	$1,312,070
Pooling ($115,000 Level)	$156,931
Risk	$39,362
Total Benefit Charges	$1,508,363
Desired Loss Ratio (DLR)	90.95%
Preliminary Premium	$1,658,453
Required Premium	$1,658,453
Allocated Taxes/Fees *	$47,771
Total Required Premium	$1,706,224
Premium at Current Rates	$1,407,227
Total Required Premium/Premium at Current Rates	21.3%

*Reflects Blue Cross and Blue Shield of Texas current, estimated effects of Health Insurer and Reinsurance Fees, plus federal and state taxes applicable to these fees.

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Section 3

MEDICAL/RX PLANS RENEWAL RATES

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Medical/Rx Plans Renewal Rates

Medical/Rx Plan Rate History (Actives & Retirees)
2007-2008 Plan Year through 2016 Plan Year

Medical/Rx Plan Actives	2007-2008 Plan Year	2008-2009 Plan Year	2009-2010 Plan Year	2010-2011 Plan Year	2011-2012 Plan Year	10/12/2012 Plan Year[1]	2013 Plan Year	2014 Plan Year[2]	2015 Plan Year[2]	2016 Plan Year[2]
Employee Only	$378.16	$371.43	$371.43	$396.39	$430.14	$395.73	$395.73	$395.73	$434.31	$476.85
Employee + Spouse	$842.58	$827.58	$827.58	$883.19	$958.39	$881.72	$881.72	$881.72	$967.69	$1,062.48
Employee + Children	$685.28	$673.08	$673.08	$718.31	$779.47	$717.11	$717.11	$717.11	$787.03	$864.12
Employee + Family	$1,149.72	$1,129.26	$1,129.26	$1,205.15	$1,307.76	$1,203.14	$1,203.14	$1,203.14	$1,320.45	$1,449.80
Annual Variance (EE)		-1.78%	0.00%	6.72%	8.51%	-8.00%	0.00%	0.00%	9.75%	9.79%
Cumulative Variance		-1.78%	-1.78%	4.82%	13.75%	4.65%	4.65%	4.65%	14.85%	26.10%
Average Variance										2.90%

Medical/Rx Plan Retirees		2008-2009 Plan Year[3]	2009-2010 Plan Year	2010-2011 Plan Year	2011-2012 Plan Year	10/12/2012 Plan Year[1]	2013 Plan Year	2014 Plan Year[2]	2015 Plan Year[2]	2016 Plan Year[2]
Employee Only		$427.13	$427.13	$455.85	$494.66	$455.08	$455.08	$455.08	$499.45	$548.37
Employee + Spouse		$951.72	$951.72	$1,015.67	$1,102.15	$1,013.99	$1,013.99	$1,013.99	$1,112.82	$1,221.83
Employee + Children		$774.04	$774.04	$826.57	$896.91	$824.68	$824.68	$824.68	$905.06	$993.72
Employee + Family		$1,298.65	$1,298.65	$1,385.92	$1,503.92	$1,383.61	$1,383.61	$1,383.61	$1,518.48	$1,667.22
Annual Variance (EE)				6.72%	8.51%	-8.00%	0.00%	0.00%	9.75%	9.79%
Cumulative Variance				6.72%	15.81%	6.54%	6.54%	6.54%	16.93%	28.38%

[1] October 2012 -December 2012 (Short Plan Year to reposition plan to coincide with City's Fiscal Year)
[2] Rates illustrated include the PPACA fees (Insurer Fee, PCORI, & Transitional Reinsurance Fee)
[3] GASB 45

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Section 4

DENTAL PLAN RENEWAL RATES

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Dental Plan Underwriting

- Blue Cross Blue Shield – Initial & Final Cost Projections

Projected Enrollment	243
Total Projected Net Claims	$101,302
Risk	$4,153
Total Benefit Charges	$105,455
Desired Loss Ratio (DLR)	84.39%
Required Premium	$124,957
Allocated Taxes/Fees *	$2,825
Total Required Premium	$127,782
Premium at Current Rates	$127,754
Total Required Premium/Premium at Current Rates	0.00%

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Dental Plan Renewal Rates

Dental Plan Rate History (Actives & Retirees)

2006-2007 Plan Year through 2016 Plan Year

Dental Plan Actives	2006-2007 Plan Year	2007-2008 Plan Year	2008-2009 Plan Year[3]	2009-2010 Plan Year	2010-2011 Plan Year	2011-2012 Plan Year	10/12/2012 Plan Year[1]	2013 Plan Year	2014 Plan Year[2]	2015 Plan Year[2]	2016 Plan Year[2]
Employee Only	$0.00	$0.00	$19.04	$23.30	$24.77	$25.81	$25.81	$25.81	$25.81	$25.81	$25.81
Employee + Spouse	$0.00	$0.00	$40.72	$49.84	$52.98	$55.21	$55.21	$55.21	$55.21	$55.21	$55.21
Employee + Children	$0.00	$0.00	$48.53	$59.40	$63.14	$65.79	$65.79	$65.79	$65.79	$65.79	$65.79
Employee + Family	$0.00	$0.00	$70.21	$85.94	$91.35	$95.19	$95.19	$95.19	$95.19	$95.19	$95.19
Annual Variance (EE)				22.37%	6.31%	4.20%	0.00%	0.00%	0.00%	0.00%	0.00%
Cumulative Variance				22.37%	30.09%	35.56%	35.56%	35.56%	35.56%	35.56%	35.56%
Average Variance											3.95%

Dental Plan Retirees	2006-2007 Plan Year	2007-2008 Plan Year	2008-2009 Plan Year[3]	2009-2010 Plan Year	2010-2011 Plan Year	2011-2012 Plan Year	10/12/2012 Plan Year[1]	2013 Plan Year	2014 Plan Year[2]	2015 Plan Year[2]	2015 Plan Year[2]
Employee Only	$0.00	$0.00	$26.25	$32.12	$34.15	$35.47	$35.47	$35.47	$35.47	$35.47	$35.47
Employee + Spouse	$0.00	$0.00	$56.13	$68.70	$73.03	$75.85	$75.85	$75.85	$75.85	$75.85	$75.85
Employee + Children	$0.00	$0.00	$66.90	$81.88	$87.04	$90.40	$90.40	$90.40	$90.40	$90.40	$90.40
Employee + Family	$0.00	$0.00	$96.78	$118.47	$125.93	$130.79	$130.79	$130.79	$130.79	$130.79	$130.79
Annual Variance (EE)				22.37%	6.31%	3.88%	0.00%	0.00%	0.00%	0.00%	0.00%
Cumulative Variance				22.37%	30.09%	35.14%	35.14%	35.14%	35.14%	35.14%	35.14%

[1] October 2012 -December 2012 (Short Plan Year to reposition plan to coincide with City's Fiscal Year)

[2] Rates illustrated include the PPACA fees (Insurer Fee, PCORI, & Transitional Reinsurance Fee)

[3] Dental added on October 1, 2008

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Section 5

NARRATIVE/COMMENTS/ RECOMMENDATION

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Narrative/Comments

- Recommendations
  - Medical/Rx Plans – accept the negotiated renewal offer: **+9.79**% for active and <65 retirees from Blue Cross Blue Shield of Texas
  - Dental Plan – accept the renewal offer **+0.00**% for active and retirees from Blue Cross Blue Shield of Texas

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Section 6

A.M. BEST RATINGS, COMPENSATION & DISCLAIMERS

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A.M. Best Ratings and Compensation

While GBS does not guarantee the financial viability of any health insurance carrier or market, it is an area we recommend that clients closely scrutinize when selecting a health insurance carrier or HMO. There are a number of rating agencies that can be referred to including, A.M. Best, Fitch, Moody's Standard & Poors and Weiss Ratings (TheStreet.com). Generally, agencies that provide ratings of U.S. Health Insurers, including traditional insurance companies and other managed care (e.g. HMO) organizations, reflects their opinion based on a comprehensive quantitative and qualitative evaluation of a company's financial strength, operating performance and market profile. However, these ratings are not a warranty of an insurer's current or future ability to meet its contractual obligations.

Carrier	Line of Coverage	Commission	Supplemental Compensation
Blue Cross Blue Shield of Texas	Medical/Rx	0%	$15 PEPY

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A.M. Best Ratings and Compensation, continued

Non-Healthcare Carrier	Line of Coverage	A.M. Best Rating – Level; Financial Size		Commission	Supplemental Compensation
Blue Cross Blue Shield of Texas	Dental	A+ ; XV		0%	$15 PEPY

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Guide to A.M. Best Ratings

Arthur J. Gallagher & Co. uses A.M. Best & Co.'s rating services to evaluate the financial condition of insurers whose policies we propose to deliver. The rating of the carrier and the year of publication of that rating are indicated. Arthur J. Gallagher & Co. makes no representation and warranties concerning the solvency of any carrier, nor does it make any representation or warranty concerning the rating of the carrier which may change.

Level	Category	Level	Category
A++, A+	Superior	C, C-	Weak
A, A-	Excellent	D	Poor
B++, B+	Good	E	Under Supervision
B, B-	Fair	F	In Liquidation
C++, C+	Marginal	S	Rating Suspended

Financial Size Categories					
FSC I	Up to 1,000	FSC VI	25,000 to 50,000	FSC XI	750,000 to 1,000,000
FSC II	1,000 to 2,000	FSC VII	50,000 to 100,000	FSC XII	1,000,000 to 1,250,000
FSC III	2,000 to 5,000	FSC VIII	100,000 to 250,000	FSC XIII	1,250,000 to 1,500,000
FSC IV	5,000 to 10,000	FSC IX	250,000 to 500,000	FSC XIV	1,500,000 to 2,000,000
FSC V	10,000 to 25,000	FSC X	500,000 to 750,000	FSC XV	2,000,000 or more

Best's Insurance Reports, published annually by A.M. Best Company, Inc., presents comprehensive reports on the financial position, history, and transactions of insurance companies operating in the United States and Canada. Companies licensed to do business in the United States are assigned a Best's Rating which attempts to measure the comparative position of the company or association against industry averages.

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Disclaimers

- The intent of this analysis is to provide you with general information regarding the status of, and/or potential concerns related to your current employee benefits environment. It does not necessarily fully address all of your specific issues. It should not be construed as, nor is it intended to provide legal advice. Questions regarding specific issues should be addressed by your general counsel or an attorney who specializes in this practice area.

- This analysis is for illustrative purposes and is not a guarantee of future expenses, claims, costs, managed care savings, etc. There are many variables that can affect future health care costs including utilization patterns, catastrophic claims, changes in plan design, health care trend increases, etc. This analysis does not amend, extend, or alter the coverage provided by the actual insurance policies and contracts. Please see your policy or contact us for specific information for further details in this regard.

- Network discount analysis is based on a representative basket of 'goods and services' an employer's health plan(s) could expect to see over the course of a year. It is in no way intended to imply a direct correlation to an employers actual claim experience. This analysis is designed to approximate a differential in reimbursement rates among various networks in order to assess efficiency and does not in any way represent a guarantee of savings.

- Gallagher Benefit Services, Inc., has provided this timeline as a resource to help identify and clarify submission requirements and dates for this project. Although the timeline was created to be as comprehensive as possible, it should not be assumed that the information is all-inclusive and error-free, nor is the sequence of events outlined in exact chronological order. All information is provided for informational and educational purposes only and is not intended to provide legal, investment, tax or accounting advice and should not be relied upon in that regard. Your financial and tax situation may be unique and therefore you should independently consult your attorney and accountant regarding any legal and tax implications.

- This proposal is an outline of the coverage proposed by the carrier(s), based on information provided by your company. It does not include all of the terms, coverages, exclusions, limitations, and conditions of the actual contract language. The policies and contracts themselves must be read for those details. Policy forms for your reference will be made available upon request.

- This analysis contains a financial cost summary and an outline of key policy provisions. Although cost is an important factor in placing coverage with a stop loss carrier, key policy provisions are also critical to the selection process and they may represent additional financial liability. For example, a stop loss policy that supersedes a client's plan document language could have a negative financial impact on the Plan. Although most stop loss carriers will agree to cover medically necessary and generally accepted practices and procedures, there may be other limitations which should be considered prior to policy acceptance.

- GBS and certain of its insurance carrier markets from time to time enter into arrangements providing for additional compensations to be paid to GBS by such carrier generally with respect to the total volume of premium or insurance coverages written through GBS with that carrier (i.e.: all insurance policies with that carrier where GBS is the broker). It is not clear at this time what these fees and/or commissions retained by GBS, GBS affiliates, such as excess and surplus lines brokers, wholesalers, reinsurance intermediaries, and similar parties, may earn and retain commissions and/or fees in the course of providing insurance products.

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Thank You

Burke O. Sunday, LHIC
Senior Benefits Consultant/Branch Manager
245 Commerce Green Blvd., Suite 290
Sugar Land, Texas 77478
281.295.3013 Direct
713.828.4558 Cell
burke_sunday@ajg.com
www.ajg.com