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Date of Memo:	October 12, 2022
Current Meeting:	October 20, 2022
Board Meeting:	October 27, 2022

BOARD MEMORANDUM

TO: Indianapolis Public Transportation Corporation (IPTC) Board of Directors

THROUGH: President/CEO Inez P. Evans

FROM: Director of Budget Justin Burcope
Chief Policy and Labor Relations Officer Jeff Brown

SUBJECT: Consideration and approval to negotiate a contract with Anthem for Stop Loss Insurance coverage

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ACTION ITEM A – 14

RECOMMENDATION:

In a manner consistent with IPTC procurement and contract award standards, we request that the Board authorize the President/CEO to negotiate and enter into a one-year contract with Anthem for Stop Loss Insurance coverage at a cost of $1,560,821, subject to increase or decrease based on future enrollment.

BACKGROUND:

IPTC self-funds its employee benefit plans, and to this end, purchases Stop Loss Insurance coverage to protect itself from unpredictable financial exposure. Stop Loss Insurance is a policy that enables employers who do not want to assume 100% of the liability for losses arising from the group health insurance plans to predictably cap expenses for employee medical bills. It is not medical insurance, rather, it is a financial and risk management tool. With stop loss insurance, the employer's out-of-pocket expenses are capped at an agreed amount (IPTC's are capped at $150,000). If costs exceed that threshold, any additional expenses are covered by the stop loss policy and the insurance company becomes liable for those losses. In other words, it's a specialized type of coverage designed to protect self-insured employers from catastrophic or unpredictable losses. In other words, it protects employers from having to pay medical costs that soar well beyond the company's ability to pay.

DISCUSSION:

Anthem is the incumbent vendor that provides stop loss insurance and on December 31, 2022 its contract will expire. To this end, IPTC engaged LHD Benefit Advisors to serve as its broker and procure services for stop loss insurance. The procurement process provided challenging and complicated because IPTC's 2022 claims slightly increased, and the market was not favorable for this reason and due to the current economic climate. Based on bids received, Anthem is the suggested successful bidder. During this process, IPTC also negotiated with Anthem directly in an effort to reduce the total cost of the bid. IPTC suggests Anthem for the following reasons:

- Increasing the stop loss specific deductible to $175,000 was necessary to reduce total costs. In doing so, Anthem's proposal was slightly more but comparable to the lowest bidder.
- What is more, increasing the stop loss threshold to $175,000 was reasonable and needed because the prior $150,000 deductible is low for industry standards.
- If IPTC were to maintain a $150,000 stop loss level, costs would have dramatically risen and the result would be an increase of 14-19% or more than $300,000 regardless of which vendor was successful.
- IPTC is assuming additional risk by increasing the stop loss level to $175,000, but analysis shows IPTC averaged roughly 8 claims over the $175,000 level in the past and the IPTC review team deems this to be manageable and within our budgetary means.

- Our analysis further reveals that IPTC can absorb up to 11 claims at $175,000 so the risk of increasing is low.
- IPTC determined that it was in its best interest to cut additional costs by eliminating the aggregate stop loss feature. Eliminating the Aggregate Stop Loss also saves IPTC roughly $60,000
- Anthem will issue a one-time credit on January 1, 2023 of $25,000 to further decrease cost
- If IPTC uses a different vender IPTC would have a heavy burden of managing the stop loss limits and could lose money if not managed properly. Anthem currently manages that process for IPTC. Moving forward, IPTC will take measures to proactively train and educate staff to assist with the stop loss analysis so that it is not reliant upon a vendor to do so.

In summary, IPTC believes that Anthem is the best overall value.

ALTERNATIVES:

The Board could choose not to award this contract to the recommended vendor and direct the CEO to negotiate with another vendor.

FISCAL IMPACT:

The total cost of this procurement for Stop Loss Insurance coverage is projected to be $1,560,821, subject to increase or decrease based on future enrollments.

DBE/XBE DECLARATION:

This contract will be funded by the Operations budget, and therefore, it does not require an established Disadvantaged Business Enterprise Program (“DBE”) participation goal. Given the complexity and nature of this opportunity subcontracting possibilities were limited. It is our continued commitment to partner with certified “XBE” firms with the City of Indianapolis Office of Minority and Women Business Development and the Indiana Department of Administration Division of Supplier Diversity when opportunities present themselves.

STANDING COMMITTEE DISCUSSION/RECOMMENDATION:

This action will be reviewed by the Finance Committee on October 20, 2022.