



June 4, 2001

Ms. Coleen Schmidt
City Finance Office
City of Rapid City
300 Sixth Street
Rapid City, SD 57701

Re: Stop-loss Coverage Quotes for July 1, 2001

Dear Coleen:

Attached is a modified summary of the stop-loss coverage options we discussed June 1, 2001.

As requested, I eliminated the two options that were not desirable, so the attached represents the options we felt should be presented to the Council.

Since Conversion Coverage is no longer required I eliminated it from the renewal options as we discussed last week.

My recommendation to the City is to elect Option 2 with Employers Reinsurance. Employers Reinsurance will need to accept the group once the Council has approved them as the carrier. At this time I don't see any problems with Employers accepting the group.

Please let me know if you have any additional questions. I will be at the Legal and Finance meeting on June 13, 2001.

Sincerely,

A handwritten signature in dark ink, appearing to read 'Joe Dobbs', is written over a horizontal line.

Joe Dobbs
President & CEO

**CITY OF RAPID CITY
HEALTHCARE PLAN RENEWAL
JULY 1, 2001
(Medical Plan Only)**

<i>Current Enrollment</i>										
Single	334									
Family	<u>338</u>									
Total	<u>672</u>									
STOP-LOSS CARRIER		Current	Renewal		Option 1		Option 2		Option 3	
		Pacific	Pacific	Percent	Pacific	Percent	Employer	Percent	United	Percent
		Mutual	Mutual	<u>Change</u>	Mutual	<u>Change</u>	Reinsurance	<u>Change</u>	Healthcare	<u>Change</u>
Specific Stop-Loss Limit		<u>\$100,000</u>	<u>\$100,000</u>		<u>\$110,000</u>		<u>\$100,000</u>		<u>\$100,000</u>	
Type of Contract		PAID	PAID		PAID		15/12		15/12	
Specific Premium										
Single per month		\$7.95	\$14.06		\$11.88		\$8.80		\$12.39	
Family per month		\$17.30	\$30.60		\$25.86		\$22.01		\$31.56	
Annualized Specific Premium		\$102,032	\$180,466	76.87%	\$152,503	49.47%	\$124,543	22.06%	\$177,666	74.13%
Corridor Liability (Note 1)		\$65,000	\$115,000	76.92%	\$100,000	53.85%	\$61,784	-4.95%	\$65,000	0.00%
Annualized Premium and Corridor Liability		\$167,032	\$295,466	76.89%	\$252,503	51.17%	\$186,327	11.55%	\$242,666	45.28%
Aggregate Stop-Loss Limit										
Type of Contract		PAID	PAID		PAID		15/12		15/12	
Aggregate Accumulation Factors										
Single per Month		\$425.76	\$451.31		\$458.39		\$246.23		\$264.87	
Family per month		\$425.76	\$451.31		\$458.39		\$615.57		\$646.32	
Annualized Aggregate		\$3,433,329	\$3,639,364	6.00%	\$3,696,457	7.66%	\$3,483,642	1.47%	\$3,683,073	7.27%
Run-in Limit										
Aggregate Premium										
Employee Per Month		\$2.31	\$2.89		\$2.89		\$2.81		\$2.52	
Annualized Premium		\$18,628	\$23,305	25.11%	\$23,305	25.11%	\$22,660	21.65%	\$20,321	9.09%
Conversion Premium (Note 2)										
Employee Per Month		\$0.50	\$0.00		\$0.00		\$0.00		\$0.00	
Annualized Premium		\$4,032	\$0		\$0		\$0		\$0	
Claims Administration-FAA										
Employee Per Month		\$5.50	\$5.50		\$5.50		\$5.50		\$5.50	
Annualized Administration		\$44,352	\$44,352	0.00%	\$44,352	0.00%	\$44,352	0.00%	\$44,352	0.00%
Network Access Fee										
Employee Per Month		\$3.00	\$3.00		\$3.00		\$3.00		\$3.00	
Annualized Administration		\$24,192	\$24,192	0.00%	\$24,192	0.00%	\$24,192	0.00%	\$24,192	0.00%
Utilization Review Intracorp										
Employee Per Month		\$1.65	\$1.65		\$1.65		\$1.65		\$1.65	
Annualized Review Fee		\$13,306	\$13,306	0.00%	\$13,306	0.00%	\$13,306	0.00%	\$13,306	0.00%
Annualized Fixed Costs		\$206,542	\$285,621	38.29%	\$257,658	24.75%	\$229,052	10.90%	\$279,837	35.49%

**CITY OF RAPID CITY
HEALTHCARE PLAN RENEWAL
JULY 1, 2001
(Medical Plan Only)**

Anticipated Costs

Annualized Fixed Costs	\$206,542	\$285,621		\$257,658		\$229,052		\$279,837	
Expected Claim Costs	\$2,811,663	\$3,026,491		\$3,057,166		\$2,848,697		\$3,011,458	
Total Anticipated Costs	\$3,018,205	\$3,312,112	9.74%	\$3,314,823	9.83%	\$3,077,750	1.97%	\$3,291,296	9.05%

Maximum Costs

Annualized Fixed Costs	\$206,542	\$285,621		\$257,658		\$229,052		\$279,837	
Maximum Claims Costs	\$3,498,329	\$3,754,364		\$3,796,457		\$3,545,426		\$3,748,073	
Total Maximum Costs	\$3,704,870	\$4,039,984	9.05%	\$4,054,115	9.43%	\$3,774,478	1.88%	\$4,027,910	8.72%

Note 1: The "Corridor Liability" is an additional liability assumed in lieu of paying a similar amount of premium.

Note 2: South Dakota law changes July 1, 2001 and conversion coverage is no longer required.

Note 3: The Employers Reinsurance quote is contingent upon the carriers receipt of a written disclosure, and their acceptance, of all known claims at the time of application completion.