

RESOLUTION NO. 2049

A RESOLUTION OF THE COUNCIL OF THE CITY OF SALISBURY, MARYLAND AUTHORIZING THE MAYOR OF THE CITY OF SALISBURY TO SIGN AN AMENDED MEMORANDUM OF UNDERSTANDING FOR THE WICOMICO COUNTY PUBLIC ENTITIES HEALTHCARE CONSORTIUM

WHEREAS, the City of Salisbury is a member of the Wicomico County Public Entities Healthcare Consortium (WCPE) with the Wicomico County Government and Wicomico County Board of Education; and

WHEREAS, one of the provisions of the agreement to form the WCPE was that each member agreed to a maximum additional liability of annual costs equal to 5% of their premiums (referred to as the "call"); and

WHEREAS, the WCPE was offered a reduction in health insurance premiums for the next plan year by CareFirst Blue Cross Blue Shield, our plan administrator, if we agreed to an increase in our call percentage; and

WHEREAS, the WCPE would like to take advantage of the health insurance premium reduction for the benefit of each entity and their employees; and

WHEREAS, the Council of the City of Salisbury (the Council) agrees to the change in our call percentage from five percent (5%) to seven percent (7%), and all necessary changes related to the percentage change; and

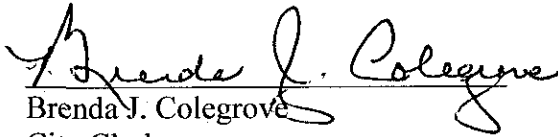
WHEREAS, the Council agrees to an amendment of the WCPE memorandum of understanding (MOU) making the above referenced changes; and


WHEREAS, the Council agrees to authorize the Mayor of the City of Salisbury to sign the amended MOU.

NOW, THEREFORE, BE IT RESOLVED, that the Council of the City of Salisbury, Maryland does hereby authorize the Mayor of the City of Salisbury to sign an amended Memorandum of Understanding for the Wicomico County Public Entities Healthcare Consortium to change the call percentage from 5% to 7%.

THE ABOVE RESOLUTION was introduced and duly passed at a meeting of the Council of the City of Salisbury, Maryland held on April 25, 2011, and is to become effective immediately.

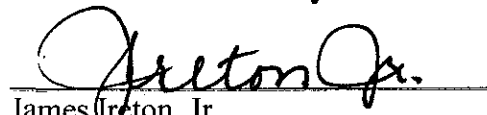
ATTEST:


Brenda J. Colegrove
City Clerk


Terry E. Cohen
Council President

APPROVED BY ME THIS

27th day of April, 2011


James Irton, Jr.
Mayor

Memo

To: John R. Pick, City Administrator
From: Pamela B. Oland, Director of Internal Services *PBO*
Date: April 12, 2011
Re: Changes to the Health Insurance Consortium Agreement

The City of Salisbury is in a consortium with the Wicomico County Board of Education (BOE) and Wicomico County for our health insurance. As a consortium we are self insured for our health insurance claims. The consortium has a Memorandum of Understanding (MOU) that governs the group. One of the requirements in the MOU is that each entity would be required to pay up to a maximum of 5% of annual premiums additional in any year that our expenditures exceed our premiums. During the negotiations for FY 2012 health insurance rates, CareFirst Blue Cross (our plan administrator) offered to lower each members' rate increase for FY 2012 by 3% if we were all willing to amend the MOU to have the maximum additional liability increased from 5% to 7%. The 3% rate reduction lowers the rate increase from 11% to 8% for the City. During the FY 2012 budget process, the Mayor included the 8% rate increase in his budget, with the assumption that we would accept this offer. For the other members of the consortium, the BOE has approved the increase to 7% and the County has included the 3% rate reduction of rates in its FY 2012 budget despite the fact that the County Council has not yet discussed this change.

Another requirement of the MOU is that each entity maintains a rate stabilization reserve equal to at least 10% of the prior year's premiums. Currently, the City has approximately 19% of annual premiums in its rate stabilization reserve. Thus, increasing the maximum potential liability percent could be covered with our current reserve. In addition, since 2005, the City has only had to pay an additional amount in premiums in one year. In every other year, the premiums we have paid exceeded the costs incurred. The difference between these amounts is returned to the City and deposited in our rate stabilization reserve.

Management is recommending that the City Council allow the MOU to be updated to change the maximum additional liability percentage from 5% to 7%. Not only would this benefit the City in the FY 2012 budget, but it would also benefit our employees.

Attached please find a resolution that allows the Mayor to sign an amended MOU with the above referenced changes. If you have any questions, please let me know.