

RESOLUTION NO. 2964

A RESOLUTION OF THE CITY OF SALISBURY AUTHORIZING THE MAYOR TO SIGN AN AMENDMENT TO THE MEMORANDUM OF UNDERSTANDING FOR THE WICOMICO COUNTY PUBLIC ENTITIES HEALTH INSURANCE CONSORTIUM CHANGING THE CALL RATE TO 5%, REQUIRING ALL ENTITIES TO HAVE SPECIFIC STOP-LOSS REINSURANCE AND CHANGING THE RATE STABILIZATION RESERVE PROPORTIONATE SHARE FROM 12% TO 10%.

WHEREAS, the Mayor and City Council of the City of Salisbury have authorized the City to participate in the Wicomico Public Entities Health Insurance Consortium and to enter into a Memorandum of Understanding with the other members of the Consortium; and

WHEREAS, the first item to change is the call rate, which is the annual amount of additional premium that the health insurance provider, CareFirst, can collect in a plan year. Any claims costs that exceed the amount of premiums by the City plus the call, are covered by the members of the consortium up to the call of all three entities. Claims costs that exceed the call – currently 8% - are covered by CareFirst, for that plan year; and

WHEREAS, the Amendment is changing the call rate from the currently required 8% to 5% of annual premium from those entities that comprise the WCPE consortium; and

WHEREAS, the second change, to section 3.3 of the agreement, requires each entity to have specific stop-loss reinsurance to cover expenses incurred by any one individual who exceeds the stop-loss deductible; there is no limit on aggregate losses going forward. This change was made in 2012 when a study by the consultant determined there was no value in purchasing aggregate coverage, but had not been brought forward in an amended change of the document; and

WHEREAS, the final change is to the Rate Stabilization Reserve (RSR), which establishes a fund to hold and accumulate funds in the event of an experience gain or loss; and

WHEREAS, the agreement currently requires each entity to the agreement to retain 12% of the prior year annual premiums paid; and

WHEREAS, the Amendment is changing the RSR required percentage to 10% of the prior year annual premiums paid; and

WHEREAS, the City desires to agree to the changes in the attached Amendment to the Memorandum of Understanding.

NOW, THEREFORE, BE IT RESOLVED that the Salisbury City Council hereby authorizes the Mayor to sign the attached Amendment to the Public Entities Health Insurance Consortium Memorandum of Understanding.

THE ABOVE RESOLUTION was introduced and read and passed at the regular meeting of the City of Salisbury held on the 8th day of July 2019, and is to become effective immediately upon adoption.

ATTEST:

Kimberly R. Nichols
Kimberly R. Nichols, City Clerk

John R. Heath
John R. Heath, President
Salisbury City Council

APPROVED BY ME THIS 9th day of JULY 2019.

Jacob R. Day
Jacob R. Day, Mayor

**AMENDMENT TO THE
PUBLIC ENTITIES HEALTHCARE CONSORTIUM
MEMORANDUM OF UNDERSTANDING**

THIS AMENDMENT ("the Amendment") is made and entered into this 1st day of September 2019, by and between Wicomico County Government, Wicomico County Board of Education, and the City of Salisbury, which shall collectively be known as the Wicomico County Public Entities ("WCPE").

WHEREAS, the WCPE entered into a Public Entities Healthcare Consortium Memorandum of Understanding with an effective date of September 1, 2001 ("the Memorandum"); and

WHEREAS, the parties now seek to amend the Memorandum as detailed below.

NOW, THEREFORE, the parties hereto agree to the following revisions to the Memorandum:

1. Change Section 1.6 to the following: **5% Call:** An additional 5% of annual premium from those entities that comprise the WCPE consortium, collected by the health care provider in the event of an annual (or cumulative) experience loss.
2. Change Section 3.3 to the following: All entities shall have specific stop-loss reinsurance; as of September 2012, there is no limit to aggregate losses carried forward.
3. In sections 3.4.b, 3.4.c, 3.7, 3.8, 3.9, 3.12, and 4.6, change "8%" to "5%."
4. In section 3.13.c., change "12%." To "10%."

IN WITNESS WHEREOF, the entities have this day and year first above written set their respective hands and seals.

WITNESS/ATTEST:

BOARD OF EDUCATION OF
WICOMICO COUNTY, MARYLAND





Donald L. Fitzgerald, Board Chairman

WITNESS/ATTEST:

CITY OF SALISBURY





Jacob R. Day, Mayor

WITNESS/ATTEST

WICOMICO COUNTY, MARYLAND

Bob Culver, County Executive

Approved as to form and legal
sufficiency this ____ day of
_____, 2019.

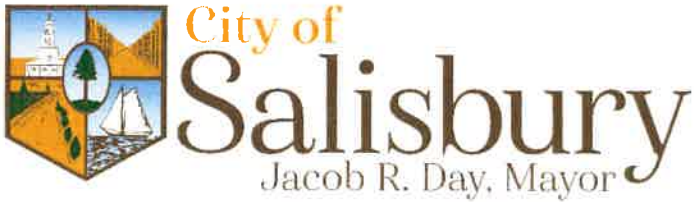
County Attorney

Approved as to form and legal
sufficiency this ____ day of
_____, 2019.

Attorney, City of Salisbury

Approved as to form and legal
sufficiency this ____ day of
_____, 2019.

Attorney, Board of Education



DATE: June 25, 2019

TO: Julia Glanz, City Administrator

FROM: Jeanne Loyd, Director of Human Resources

SUBJ: Changes in WCPE MOU

Please find attached an amendment to the Public Entities Healthcare Consortium MOU to be effective on 09/01/2019.

First item is to change Section 1.6 to reduce the currently required 8% call to 5% of annual premium from those entities that comprise the WCPE consortium, to be collected by the health care provider in the event of an annual (or cumulative experience loss).

This is funded to make sure there is enough on hand to cover the amount CareFirst (the health care provider) can collect at annual settlement when premiums are not sufficient to cover claims and expenses. Each of the three entities would be required to maintain the 5% associated with their annual premium billing.

The second item requires that we buy stop loss insurance to cover expenses incurred by any one individual who exceeds the stop-loss deductible (currently \$250,000); there is no limit on aggregate losses going forward. This change was made in 2012 when a study by our consultant determined there was no value in purchasing aggregate coverage. However, a review of the MOU revealed that had not been brought forward in an amended change of the document.

The third item identifies the sections in the MOU where the change of 8% to 5% must be documented.

The final item identifies the amount of reserve funds beyond which an entity may withdraw money from their account. This ensures there is enough in reserve to cover the potential for two years of the "call" before an entity can remove "excess" funds. The reduction is the result of the "call" percentage reducing to 5%. Once the amount in reserve exceeds 10% of annual premiums, the amount over 10% is available for withdrawal.

I am requesting that the City Council approve the requested changes to the MOU.