

RESOLUTION NO. 29 -2015 (AMENDED 5/27/15)

Offered by All of Council

A RESOLUTION AUTHORIZING THE MAYOR AND THE FINANCE DIRECTOR TO ENTER INTO AN AGREEMENT WITH THE ROUNDSTONE MANAGEMENT, LTD. FOR HEALTH INSURANCE FOR FULL-TIME VILLAGE EMPLOYEES FOR JULY 1, 2015 THROUGH JUNE 30, 2016, AND DECLARING AN EMERGENCY.

WHEREAS, the Village's insurance advisor, Karen Tabeling from Associated Underwriters Insurance Inc. has recommended entering into an agreement with the Roundstone Management, LTD. to be the provider for health insurance for full-time Village employees from July 1, 2015 through June 30, 2016, and declaring an emergency.

NOW, THEREFORE, BE IT RESOLVED by the Council of the Village of Richfield, Summit County, State of Ohio:

SECTION 1. That the Mayor and the Finance Director be, and they hereby are, authorized and directed to enter into an agreement with the Roundstone Management, LTD effective July 1, 2015 not to exceed \$924,661 in accordance with the offer from David, Vice President of Roundstone, a copy of which offer is attached hereto as Exhibit "A" and incorporated herein fully as if by reference, subject to the final approval of the Law Director.

SECTION 2. This Resolution is hereby declared to be an emergency measure necessary for the immediate preservation of the public health, safety and welfare and for the further reason that it is immediately necessary in order to comply with the timing requirements of the program; wherefore, provided this Resolution receives the affirmative vote of two-thirds of the members of Council elected or appointed, it shall take effect immediately upon its passage and execution by the Mayor; otherwise, it shall take effect and be in force from and after the earliest period allowed by law.

PASSED: 6-2-15



President of Council

ATTEST:


Clerk of Council



Mayor

Dated: 6/2/15

**TO: Village Council
Mayor Bobbie Beshara**

**CC: Carolyn Sullivan
William Hanna**

FROM: Sandy Turk, Finance Director

**RE: Amended Resolution No. 29-2015 to renew health care insurance with
Roundstone for the June 2, 2015 Council Meeting**

Date: May 27, 2015

ACTION BEING REQUESTED	TYPE OF REQUEST
3rd Reading & Adoption of Amended Reso.	Resolution

The Finance Department requests Council accept the attached amended Resolution No. 29-2015 and consider adoption of the amended resolution to enter into a renewal agreement for \$924,661 with Roundstone Management, LTD for health care insurance for full-time Village employees effective July 1, 2015 through June 30, 2016.

Roundstone is a Group Captive program that is owned and/or controlled by the group members insured. The network is the Medical Mutual network and the Third Party Administrator (TPA) is Mutual Health Services out of Copley. Roundstone has been offering a Captive program for medical coverage the longest with over 11 years of experience in this market. They utilize all local networks for their services with Medical Mutual also offering the best discounts for procedures in the field. For this side of Roundstone's business they do not use off shore outfits for their banking and business needs where other Captives do. They only use A.M. Best rated reinsurers of A rating and above.

The current maximum annual cost of coverage for 56 full-time employees is \$879,874 (including a collateral amount of \$23,578). Collateral is the contribution we make into the group captive to cover the portion of the risk above premium assumed by the Captive and before insurance. The renewal rate of \$924,661 is 5% higher than the current cost. If you exclude the collateral amount the percentage increase is 7.5%. The fixed cost (administrative fee and specific/aggregate premium) is \$326,155 and this is the definite amount that will be paid out. We are self funding the claims portion of the policy with a stop loss insurance policy of \$25,000. The claims portion of the policy is \$598,506. Through March 31, 2015 we have spent 76% of the total expected costs.

Let me know if you have any questions.

Attachments

EXHIBIT A 
MID-MARKET MED™
 A MEDICAL STOP LOSS PROGRAM

Employer: Village of Richfield
Producer Company: Associated Underwriters Insurance
UW Quote Date: 4/23/2015
Proposal #: 7197
Option: 1

Carrier: AM Best A rated carrier class XV
Claims Admin: Mutual Health Services
Program: RS X500
Roundstone Sales Rep: David Konrad

Policy Information

Specific Contract Type	23/12	Effective Date	7/1/2015
Deductible	\$25,000	Renewal Date	7/1/2016
Contract Length in Months	12	Enrollment #	56
Aggregate Attachment Corridor	125%	Transplant Carve Out	No
Maximum Annual/Lifetime Reimbursement	Unlimited	Terminal Liability Option	Yes

Fixed Costs	Contract	Annualized	PEPM	% Of Total
Reinsurance Cost	\$88,399	\$88,399	\$131.55	10%
Administrative Cost	\$54,197	\$54,197	\$80.65	6%
Total Fixed	\$142,596	\$142,596	\$212.20	15%
Variable Costs	Contract	Annualized	PEPM	% Of Total
Renewal Collateral	\$3,880	\$3,880	\$5.77	0%
Employer Aggregate Attachment	\$594,626	\$594,626	\$884.86	64%
Captive Risk Premium	\$183,559	\$183,559	\$273.15	20%
Total Variable	\$782,065	\$782,065	\$1,163.79	85%
Maximum Cost	\$924,661	\$924,661	\$1,375.98	100%

The Stop Loss Policy's coverage follows the underlying plan unless otherwise indicated in the Stop Loss Coverage Terms attached to this Captive Proposal. Calculations are based on data submitted. Any inaccuracy or change in the data or statistics submitted will cause this captive proposal to be revised


MID-MARKET MED™
 A MEDICAL STOP LOSS PROGRAM

Employer: Village of Richfield**Carrier:** AM Best A rated carrier class XV**Producer Company:** Associated Underwriters Insurance**Claims Admin:** Mutual Health Services**UW Quote Date:** 4/23/2015**Program:** RS X500**Proposal #:** 7197**Roundstone Sales Rep:** David Konrad**Option:** 1**Policy Information**

Specific Contract Type	23/12	Effective Date	7/1/2015
Deductible	\$25,000	Renewal Date	7/1/2016
Contract Length in Months	12	Enrollment #	56
Aggregate Attachment Corridor	125%	Transplant Carve Out	No
Maximum Annual/Lifetime Reimbursement	Unlimited	Terminal Liability Option	Yes

Cost Summary

	Contract	Annualized	PEPM	% Of Total
Specific Premium	\$260,057	\$260,057	\$386.99	28%
Aggregate Premium	\$11,901	\$11,901	\$17.71	1%
Employer Aggregate Attachment	\$594,626	\$594,626	\$884.86	64%
Renewal Collateral	\$3,880	\$3,880	\$5.77	0%
Taxes/Surcharges	\$0	\$0	\$0.00	0%
Commission	\$25,126	\$25,126	\$37.39	3%
TPA Fee*	\$29,071	\$29,071	\$43.26	3%
Total	\$924,661	\$924,661	\$1,375.98	100%

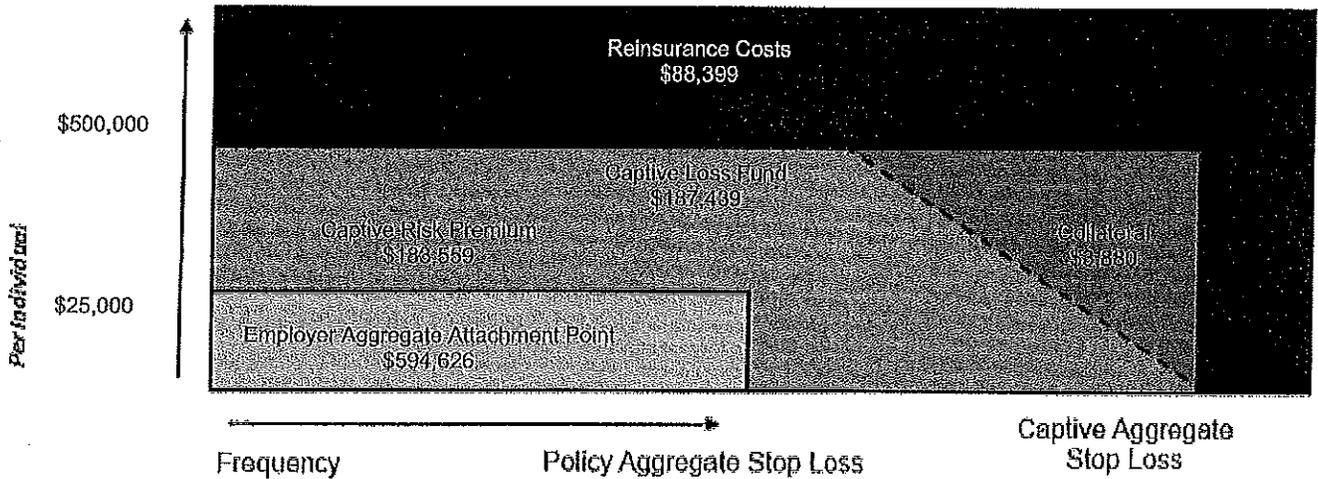
* TPA fee is estimated and may fluctuate based on network access fee and additional services selected by the group.

The Stop Loss Policy's coverage follows the underlying plan unless otherwise indicated in the Stop Loss Coverage Terms attached to this Captive Proposal. Calculations are based on data submitted. Any inaccuracy or change in the data or statistics submitted will cause this captive proposal to be revised



Summary of Terms Mid Market Med
Village of Richfield Group Captive Proposal

Projected Cost	Expected	Maximum
Fixed		
Reinsurance Costs	\$88,399	\$88,399
Administrative Costs	\$54,197	\$54,197
Variable	\$641,583	\$782,065
Total	\$784,179	\$924,661



Captive Glossary

- Reinsurance Costs:** Reinsurance coverage over the Captive Layer.
- Captive Loss Fund:** Includes the Captive Risk Premium plus Collateral.
- Collateral:** The contribution the participant makes into the group captive to cover the portion of the risk above premium assumed by the Captive and before insurance. Collateral will remain intact and possibly refundable depending on underwriting results.
- Employer Aggregate Attachment Point:** Based on expected claims plus a margin and is calculated using actual enrollment. If the group's eligible claims in total, less specific excess reimbursements, exceed the attachment point, the stop loss carrier reimburses the policyholder for the amount in excess of the attachment point.
- Contract Type:** Defines the coverage it provides based upon the Incurred date and Paid date of the medical expenses it is designed to reimburse. Example: a 15/12 contract means claims Incurred during three months immediately prior to the insurance period, but paid during the insurance period.
- Expected Paid Claims:** Aggregate Attachment Point less the aggregate margin of 25%.
- Terminal Liability Option (TLO):** Provides a 90 day run-out on the specific and aggregate excess loss insurance and applies only if the policy terminates at the end of the insurance period. Covered expenses must have been incurred prior to the termination of the policy, but can be paid 90 days after the termination date.

* Administrative Costs not included in graph.



Group Captive Proposal for			
Village of Richfield \$25K Deductible			
Insurance Cost	Annual Cost		
	Roundstone	Expiring	% of Expiring
Specific Premium	\$260,057	\$240,341	108%
Aggregate Premium	\$11,901	\$10,913	109%
Commission, Taxes/Surcharges, and TPA Fees	\$54,197	\$54,197	100%
Self Funded Cost			
Expected Paid Claims ²	\$458,024	\$425,022	108%
Total Expected Costs*	\$784,179	\$730,473	107%

1. Administrative cost includes TPA, network and commission.
2. Expected scenario uses underwriting's expected paid claims less any underwriting profits at the expected level to determine claims cost.
3. Maximum Cost scenario assumes aggregate attachment point is hit and entire captive loss fund (premium and collateral) is exhausted in determining claims cost.
4. Captive Historical includes underwriting profit calculated at prior year's captive performance.

Village of Richfield year to date (thru 3/31/2015) annualized experience is 76% of the expiring expected costs.