



CITY OF GRAND RAPIDS

Meeting Agenda Full Detail City Council

Monday, July 17, 2017

Conference Room 2A

CALL TO ORDER: Pursuant to due notice and call thereof a Special Meeting of the Grand Rapids City Council will be held on Monday, July 17, 2017 immediately following the Closed session in City Hall Conference Room 2A, 420 North Pokegama Avenue, Grand Rapids, Minnesota.

CALL OF ROLL

ADMINISTRATION DEPARTMENT

1. 17-0501 Consider entering into an agreement with Health Risk Strategies, LLC for actuarial services for the City of Grand Rapids.

Attachments: [City of Grand Rapids Proposal 7.11.17](#)

[Mary Ratelle Resume](#)

[Statement of Work.pdf](#)

ADJOURNMENT

Attest: Kimberly Gibeau, City Clerk



CITY OF GRAND RAPIDS

Legislation Details (With Text)

File #: 17-0501 **Version:** 1 **Name:** Consider entering into an agreement with Health Risk Strategies, LLC for actuarial services for the City of Grand Rapids.

Type: Agenda Item **Status:** Passed

File created: 7/12/2017 **In control:** City Council

On agenda: 7/17/2017 **Final action:** 7/17/2017

Title: Consider entering into an agreement with Health Risk Strategies, LLC for actuarial services for the City of Grand Rapids.

Sponsors:

Indexes:

Code sections:

Attachments: [City of Grand Rapids Proposal 7.11.17](#)
[Mary Ratelle Resume](#)
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Date	Ver.	Action By	Action	Result
7/17/2017	1	City Council	Approved As Presented	Pass

Consider entering into an agreement with Health Risk Strategies, LLC for actuarial services for the City of Grand Rapids.

Background Information:

Currently the City of Grand Rapids has 2 different group health insurance programs for different categories of employees. One program is part of the Northeast Service Co-Op pool and the other program is self-funded. The programs have different benefits and different cost and funding structures. The City is interested in understanding the "actuarial equivalence" of the two programs to help develop a strategy to potentially reduce one program and offer one consistent program to all employees.

Staff Recommendation:

City Administrator Tom Pagel, Finance Director Barb Baird, and Human Resources Director Lynn DeGrio are recommending entering into an agreement with Health Risk Strategies, LLC for actuarial services for the City of Grand Rapids. Based on the scope of services, we anticipate consulting fees for completing the actuarial value and projection to be \$3,500 to \$5,000. Additional follow-up analysis may be needed depending on the actuarial values and strategy chosen by the City. Follow-up analysis will be billed at \$325 per hour.

Requested City Council Action

Make a motion to authorize City staff to enter into an agreement with Health Risk Strategies, LLC for actuarial services for the City of Grand Rapids for a cost not to exceed \$6,000.00.

July 11, 2017

Ms. Lynn DeGrio
Director of Human Resources
City of Grand Rapids
420 North Pokegama Avenue
Grand Rapids, MN 55744-2662

Via email: ldegrio@ci.grand-rapids.mn.us

RE: PROPOSAL FOR ACTUARIAL SERVICES FOR CITY OF GRAND RAPIDS

Dear Lynn:

I enjoyed talking to you about the needs of the City of Grand Rapids and am happy to submit this proposal for actuarial consulting services. Health Risk Strategies, LLC (HRS) is an actuarial and consulting company specializing in managing health insurance risks. This letter summarizes my understanding of City of Grand Rapids' needs and outlines a scope and approach of consulting services that HRS proposes.

The remainder of this letter outlines:

- HRS Background
- Understanding of the City of Grand Rapids' Needs
- Scope of Services
- Data Request
- Timing, and Fee Estimate

HRS BACKGROUND

Health Risk Strategies, LLC (HRS) is an independent actuarial and management consulting firm specializing in the management of medical insurance risks and costs. The company was organized in February 2000 and consults with insurers, self-funded employers, and multi-employer trusts on management of medical insurance benefit issues.

Mary P. Ratelle is the founder of Health Risk Strategies, LLC a certified woman-owned business in Minnesota. As a Fellow of the Society of Actuaries and a Member of the American Academy of Actuaries, Mary has over 30 years experience in managing the risks of health plan sponsors for their medical, prescription drug, dental and vision benefits. Her consulting experience includes product design, experience analysis and trend forecasting, benchmarking, pricing, underwriting, administration, management reporting, risk modeling,

contribution strategies, provider reimbursement strategies, insurance reform, financial reporting, and actuarial attestations and certifications. Attached is a resume for Mary Ratelle.

UNDERSTANDING OF THE CITY OF GRAND RAPIDS' NEEDS

Currently the City of Grand Rapids has 2 different group health insurance programs for different categories of employees. One program is part of the Northeast Service Co-Op pool and the other program is self-funded. The programs have different benefits and different cost and funding structures. The City is interested in understanding the "actuarial equivalence" of the two programs to help developing a strategy to potentially reduce one program and offer one consistent program to all employees.

ACTUARIAL SERVICES SCOPE

HRS will develop a model to estimate the actuarial value for each benefit program using utilization and cost estimate for a large consistent population. The actuarial value will not be based on the actual costs of either program as the actual costs reflect different populations with different health status and healthcare utilization. Rather, an overall model will be used to estimate the benefits provided and the costs paid by each program and the cost share paid by the employee.

All medical, Rx, HRA/HSA, Dental, Vision and Life Insurance, Accidental and Sickness Benefit (short-term disability) benefits and wellness incentives will be included as these are part of the current program.

HRS will also develop an overall/aggregate cost estimate for the City of Grand Rapids including the potential change in the costs/funding rates with the migration of new employees to one plan design. This will include possible additional benefits needed to equalize the benefits from the current program depending on the actuarial values of each program. This analysis will provide information for management to understand the value of each benefit program and the potential costs associated with eliminating a program. HRS will provide a written report with the results of our analysis.

DATA REQUEST

The City of Grand Rapids provided the SBC's and summary of the two benefit programs. Additional information on the City's funding of any HRA/HSA, life insurance, wellness benefits (Health Dynamics physical and Incentives, gym club reimbursement, etc.) This information will be used for the initial modeling. In addition, HRS will make assumptions regarding information that is not finalized such as stop loss contracts and administrative services costs. If any of the following information is available, please forward to supplement the model assumptions.

- Medical Benefit Plan Summaries (provided)
- Summary Plan Descriptions of each benefit program

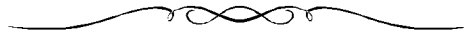
- Summary of HRA/HSA, Dental, Vision and Life Insurance, Accidental and Sickness Benefit (short-term disability) benefits and wellness incentives for both programs
- Headcounts by coverage and benefit program by tier, (single/family for Non-Union or employee for Union)
- Current Employer/Employee funding rates by tier structure for all of the coverages/benefits
- Information on eligibility for each benefit by program

TIMING AND FEE ESTIMATE

HRS will work with the City of Grand Rapids to set a reasonable timeline for the analysis. It is estimated that the initial modeling and report can be completed within 2 weeks of receipt of the requested information. Fees are based on the work effort involved in client projects at an hourly billing rate of \$325. Additional charges for out-of-pocket expenses such as travel, overnight packages, etc. are billed separately. Bills are sent out each month for work performed in the previous month. Remittance is expected within 30 days.

Based on the scope of services outlined, we anticipate consulting fees for completing the actuarial value and projection to be \$3,500 to \$5,000. Additional follow-up analysis may be needed depending on the actuarial values and strategy chosen by the City. Follow-up analysis will be billed at \$325 per hour.

HRS takes a proactive approach in working with clients to define the scope of an engagement and establish budgets. I will immediately communicate any change in the scope of services and/or budget to you.



If you have any questions or request changes, please call me at (952) 920-9700 to discuss. I am happy to revise the project scope to meet the City's needs.

I look forward to working with you on this project.

Sincerely,

A handwritten signature in cursive script that reads "Mary Ratelle".

Mary P. Ratelle, FSA
President
Enc.

Mary P. Ratelle
Health Risk Strategies, LLC
6804 Brittany Road
Edina, MN 55435
(952) 920-9700
mary.ratelle@hriskstrategies.com
www.hriskstrategies.com

Actuarial Credentials:

Fellow, Society of Actuaries (FSA)
Member, American Academy of Actuaries (MAAA)

Experience:

- 2/00 – Current President, Health Risk Strategies, LLC.
Consults with health insurers and captives, self-funded employers and union groups, multi-employer trusts, insurance regulators and health care providers on strategy, pricing, product design & development, valuation, regulatory filings, and financial analysis of health insurance programs for Commercial (Active), Senior (Retirees), Medicaid and Uninsured populations.
- 1/97 – 2/00 Senior Consultant, Reden & Anders (OptumInsight)
Consulted with HMOS, Blue Cross and Blue Shield, and health care providers on various aspects of their health insurance products. Major projects included evaluation of Medicare Risk Products (Medicare Advantage), HORBC (risk based capital) requirements for HMOs, provider contract negotiations for health plans and provider groups, development of pricing strategies for fully insured health products, and evaluation of financial risks within proposed contracts for provider sponsored networks.
- 1/95 – 12/96 Actuary, Milliman and Robertson, Inc. (Milliman USA)
Consulted with HMOs, Blue Cross and Blue Shield, and health care providers on various aspects of their health insurance products. Major projects included evaluation of risk charges for fully insured products, risk based capital requirements for HMOs, stochastic modeling of health insurance risks, estimation of potential cost savings for allowing 24-hour coverage in the state of Minnesota, estimation of market impact of proposed individual health insurance market reforms, and evaluation of financial risks within proposed contracts for provider sponsored networks.
- 1/88 to 10/93 Consultant, Tillinghast (Towers Watson)
Consulted with HMOs, insurance companies, Blue Cross and Blue Shield plans and health care providers on the following aspects of their managed care programs: product design, pricing, underwriting, administration, management reporting, risk absorption models, small group reform compliance, financial reporting, experience analysis and merger and acquisitions. Products included: group (large and small), individual, Medicare, Medicaid, managed workers' compensation, specific and aggregate stop loss, and dental plans.
- 11/85 to 1/88 Actuarial Assistant, Ministers Life Insurance Company (Minnesota Life)
Small group product development, large group initial and renewal rating and valuation for financial statements.
- 6/83 to 11/85 Actuarial Analyst, Touche Ross and Co. (Deloitte Consulting)
Product design and pricing of start up HMOs, experience and claims lag analysis for rating and determination of balance sheet reserves.

Mary P. Ratelle, FSA, MAAA (Cont.)

Professional Papers and Presentations:

“Developing a Managed Workers’ Compensation Program,” published in 1993 Proceedings by the Group Health Association of America. (Currently American Association of Health Plans - AAHP)

Presented “Workers’ Compensation I: Managing the Costs and the Benefits” at the 1993 Group Health Institute.

Presented “Small Group Reform: Managing Costs and Benefits” at the 1999 Society of Actuaries Small Group Reform Seminar.

Presented “HMO Rating” at the 1999 AAHP Annual Meeting.

Professional Committees:

American Academy of Actuaries Work Group – PPACA Exchanges, Fall 2010

Society of Actuaries Health Section Council Member 1999 – 2001

American Academy of Actuaries Task Force for Managed Care Reforms 1997 – 2002

Minnesota Risk Adjuster Users Group Planning Committee 2000 - 2001

Education:

Bachelor of Arts, Mathematics Degree

Drake University

May 1983.

CONSULTANT SERVICES AGREEMENT

STATEMENT OF WORK

This Statement of Work (SOW) describes the scope of Consulting Services to be provided by Health Risk Strategies, LLC to the City of Grand Rapids, Minnesota, including deliverables and timing, the Consultant’s compensation rates, professional fee and out-of-pocket expense budget.

- 1. **Consultant Name & Address:** Mary Ratelle
Health Risk Strategies, LLC
6804 Brittany Road
Edina, MN 55435

- 2. **Client Contact:** Lynn DeGrio

- 3. **Client Name & Address:** City of Grand Rapids
420 North Pokegama Avenue
Grand Rapids, MN 55744-2662

- 4. **Engagement Name:** Actuarial Equivalence of Health Benefit Programs

- 5. **Brief Description of Services to be performed by Consultant:**
Analyze the Actuarial Equivalence of the 2 benefit programs offered by the City of Grand Rapids to
different employee populations to understand the financial impact of combining plans and offering one
option to all employees. Include an overall model of the estimated impact after migration of employee to
one benefit program.

- 6. **Anticipated Start Date:** July 17, 2017
Anticipated Completion Date: July 31, 2017

- 7. **Key Deliverables/Milestones:**
Deliverable Report *Anticipated Due Date* _____
Deliverable _____ *Anticipated Due Date* _____

8. **Consultant Personnel to be Assigned & Budget:**

Consultant agrees that the following agreed upon budget will not be exceeded without prior approval City of Grand Rapids project manager. Consultant will be reimbursed based on the budget below;.

Name	Dates Assigned	Estimated Total Hours	Rate/Hour	Total Professional Fee Budget	Expense Budget
Mary Ratelle	July 2017	10-16	\$325	\$3,500 - \$5,000	N/A
	Follow-up work			N/A	
Total Budget				\$3,500 - \$5,000	N/A

9. **Other Compensation Arrangements, if any:**

None applicable

10. **Additional, Pertinent Information:**

Accepted By:

Health Risk Strategies, LLC



Authorized Signature

Mary Ratelle
Name (Type/Print)

President
Title

July 14, 2017
Date

Accepted By:

City of Grand Rapids

Authorized Signature

Name (Type/Print)

Title

Date