

COUNCIL WORKSHOP ITEM

ITEM: Plan Administrator & Accounting Agreement – Kraemer Loney, Inc.
DATE: March 4, 2002
PREPARED BY: Mary LaLonde, Employee Benefits Coordinator
PURPOSE: The purpose of this correspondence is to transmit and recommend approval of an agreement with Kraemer Loney, Inc. to provide insurance plan administration and related accounting services.

DISCUSSION: The Village of Downers Grove has contracted with Kraemer Loney, Inc. (K&L) since 1989 to provide plan administration for the Village's self-funded medical, vision, group life, accidental death & disability and long term disability insurance. Ms. Catherine Loney, a principal with K&L has been the Village's primary account manager. Over the years, K&L has provided guidance related to administration of the Village's self-insurance program although, ultimately, the Village makes decisions regarding funding and benefit levels.

Over the last year we have worked closely with K&L to address the current funding and accounting practices of the Village in relation to the benefit program. In the past, K&L has had no direct role in administration and reconciliation of accounts. It has become clear that the current system is fragmented in its application and may result in less than optimum results. The Village simply does not currently have the ability to reconcile payouts with providers nor to audit and monitor refunds due as a result of overpayments. K&L proposes to provide accounting services, in addition to plan administration to address these issues. K&L will reconcile the self-funded health insurance account each month, indicating all refunds and outstanding checks, monitor stop payments, reissues, voids and even bank fraud, which has occurred with other K&L clients. This will provide the Village with the ability to track all employee benefit costs.

Specifically, in addition to plan administration, K&L will provide the following accounting services:

K&L will provide a Certified Public Accountant to:

- Maintain a cash basis general ledger using Peachtree Accounting software.
- Establish bank account for payment of claims and administrative expenses under Village of Downers Grove name.
- Prepare monthly financial statements for the Insurance Committee, including balance sheet and income statement (compared to approved budget).
- Prepare monthly statistical comparisons of premiums received to claims paid by department.
- Reconcile cash ledger account to bank statement on a monthly basis.

- Reconcile monthly billings received from the Third Party Claim Administrator and submit billing to the Village for payment.
- Prepare checks for payment to providers of services (other than claims).
- Monitor cash flow to assure adequate funds are available to pay claims and other expenses.
- Prepare requested reports for the annual audit and be available to auditor during examination of records.
- Analyze stop loss receivables to ensure collection on a timely basis.
- Analyze refunds reported by the Third Party Claim Administrator to actual cash receipts to ensure receipt.
- Review the Third Party Claim Administrator financial reports and report to the Client any significant findings.
- Perform additional financial assignments as directed by the Client.

K&L. is proposing a 3.7% increase in fees to provide the FY 2002/2003 plan administration services at a rate of \$2000.00 per month which would become effective May 1, 2002; and a rate of \$833.33 per month to provide plan accounting services to begin April 1, 2002. Both services would extend through April 30, 2003.

ATTACHMENT:

Plan Administrator & Accounting Agreement

RECOMMENDATION:

It is recommended that Council approve the attached contract for plan administration and accounting services.

RESOLUTION NO. _____

**A RESOLUTION AUTHORIZING EXECUTION OF A
PLAN ADMINISTRATOR AND ACCOUNTING AGREEMENT
BETWEEN THE VILLAGE OF DOWNERS GROVE AND KRAEMER & LONEY, INC.**

BE IT RESOLVED by the Village Council of the Village of Downers Grove, DuPage County, Illinois, as follows:

1. That the form and substance of a certain Agreement (the "Agreement"), between the Village of Downers Grove (the "Client") and Kraemer & Loney, Inc. ("K&L"), to serve as Plan Administrator and to furnish certain services with respect to the administration for the Village's self-funded medical, vision, group life, accidental death & disability and long term disability insurance, as set forth in the form of the Agreement submitted to this meeting with the recommendation of the Village Manager, is hereby approved.

2. That the Village Manager and Village Clerk are hereby respectively authorized and directed for and on behalf of the Village to execute, attest, seal and deliver the Agreement, substantially in the form approved in the foregoing paragraph of this Resolution, together with such changes as the Manager shall deem necessary.

3. That the proper officials, agents and employees of the Village are hereby authorized and directed to take such further action as they may deem necessary or appropriate to perform all obligations and commitments of the Village in accordance with the provisions of the Agreement.

4. That all resolutions or parts of resolutions in conflict with the provisions of this Resolution are hereby repealed.

5. That this Resolution shall be in full force and effect from and after its passage as provided by law.

Mayor

Passed:

Attest: _____
Village Clerk

PLAN ADMINISTRATOR & ACCOUNTING AGREEMENT

This Agreement is made and entered into as of the 1st day of April, 2002 by and between the Village of Downers Grove, located at 801 Burlington, Downers Grove, IL 60515 ("the Client"), and Kraemer & Loney, Inc., located at 900 North Shore Drive, Suite 280, Lake Bluff, Illinois 60044 ("K & L").

WITNESSETH

WHEREAS, the Client has established a benefit plan for the employees of the Village of Downers Grove; and

WHEREAS, the Client has requested K & L to serve as Plan Administrator and to furnish certain services with respect to the Plan; and

WHEREAS, K & L is willing to provide such services under the terms and conditions contained in this Agreement.

NOW, THEREFORE, in consideration of the mutual promises and covenants contained in this Agreement, the Client and K & L agree to the provisions as set forth in this Agreement.

ARTICLE 1

DEFINITION

- 1.1 "Plan" means the Village of Downers Grove Employee Benefit Plans.

ARTICLE 2

EFFECTIVE DATE

- 2.1 The effective date of this Agreement is April 1, 2002, and shall continue through April 30, 2003, subject to the termination provisions contained in this Agreement ("Term").

ARTICLE 3

PLAN BENEFITS SUBJECT TO THIS AGREEMENT

- 3.1 Current plan benefits subject to this Agreement are: Self-Funded Medical, Vision, Dental, Group Life and Accidental Death and Disability, and Long Term Disability Insurance.

ARTICLE 4

KRAEMER & LONEY, INC. PLAN ADMINISTRATOR RESPONSIBILITIES

- 4.1 Under the direction of the Client's Insurance Committee, K & L will represent the best interests of the Client in relationship with Re-Insurance Carriers, the Third Party Claim Administrator, PPO and Medical Case Management Personnel, Psychological and Substance Abuse Management Personnel, Prescription Drug Vendors, Wellness and providers of other services and insureds.

- 4.2 As part of this service, K & L will assist in adjudicating claim appeals should an insured not agree with the decisions of the Third Party Claim Administrator.
- 4.3 K&L shall assume responsibility for assuring that the Third Party Claim Administrator will
- a. Enter into contract with the "Client" setting forth the terms of services and compensation.
 - b. Analyze, adjust and coordinate claim payments with doctors, hospitals and other providers of services to determine that the charges made are eligible.
 - c. Furnish claim worksheets documenting the payment of benefits and coordinating benefits when other plans are involved.
 - d. Maintain and distribute summaries of paid benefits and checks issued.
 - e. Provide certification of participant's eligibility when required by plan specifications and provide information concerning the plan of benefits to all providers and participants.

In addition, K&L will review large claims to assure proper handling, case management and liaison with stop loss carriers.

- 4.4 K & L shall communicate with carriers regarding claims, coverages and other matters and secure in a timely manner "best efforts" stop loss quotations from insurance carriers on a net (no commission) basis and provide a summary report of results to Client with recommendations for adoption.
- 4.5 When requested, K&L shall assist the Client in securing bids for Third Party Claim Administrator services.

- 4.6 K&L shall be responsible for preparing an annual budget, including claims analysis and projections with recommendations on premium levels for employees and dependents, designed to meet all expenses including an agreed upon reserve.
- 4.7 K&L shall periodically, but each year not less than 90 days before the end of the Client's fiscal year, review the benefit plan document and provide recommendations designed to meet current legislation, adjust to changing needs, take advantage of cost containment possibilities, revise exclusions, encourage wellness and meet new medical developments.
- 4.8 Catherine Loney or a representative from K & L will attend all scheduled meetings and participate in the programs as requested.
- 4.9 K&L will attend and participate in communication meetings with employees as requested by the Village.
- 4.10 K & L will comply with all provisions of the Plan Document and all rules and regulations of the Client.
- 4.11 K & L will comply with all applicable local, state, and federal laws and regulations.
- 4.12 K&L will
 - a. be available for consultation with any covered participant regarding benefits or questions they may have; and
 - b. report monthly on the status of the plan.
- 4.13 K&L shall disclose to the Client any income or commissions which are earned by excess and surplus line brokers, wholesalers, re-insurance intermediates, underwriting managers or other parties providing services to the Client which are recommended by K&L and in which K&L, or corporate parent or subsidiary of that company, has an ownership interest in an amount greater than 5%.

ARTICLE 5

KRAEMER & LONEY, Inc. ACCOUNTING RESPONSIBILITIES

K&L will provide a Certified Public Accountant to

- 5.1 Maintain a cash basis general ledger using Peachtree Accounting software.
- 5.2 Establish bank account for payment of claims and administrative expenses under Village of Downers Grove name.
- 5.3 Prepare monthly financial statements for the Insurance Committee, including balance sheet and income statement (compared to approved budget).
- 5.4 Prepare monthly statistical comparisons of premiums received to claims paid by department.
- 5.5 Reconcile cash ledger account to bank statement on a monthly basis.
- 5.6 Reconcile monthly billings received from the Third Party Claim Administrator and submit billing to the Village for payment.

- 5.7 Prepare checks for payment to providers of services (other than claims).
- 5.8 Monitor cash flow to assure adequate funds are available to pay claims and other expenses.
- 5.9 Prepare requested reports for the annual audit and be available to auditor during examination of records.
- 5.10 Analyze stop loss receivables to ensure collection on a timely basis.
- 5.11 Analyze refunds reported by the Third Party Claim Administrator to actual cash receipts to ensure receipt.
- 5.12 Review the Third Party Claim Administrator financial reports and report to the Client any significant findings.
- 5.13 Perform additional financial assignments as directed by the Client.

ARTICLE 6

CLIENT LIABILITY

- 6.1 K & L does not insure nor underwrite the liability of the Client under this Plan. The Client retains the ultimate responsibility for claims made pursuant to the Plan. The Client is responsible for all expenses incident to the Plan except those specifically assumed by K & L in this Agreement.

ARTICLE 7

KRAEMER & LONEY, INC. LIABILITY

- 7.1 K & L will use reasonable care and due diligence in the exercise of its powers in performance of its duties under this Agreement.
- 7.2 K&L shall purchase and maintain an insurance policy for general and professional liability coverage for no less than \$1,000,000 per claim, \$3,000,000 per incident. K&L will provide Client with copy of said policies upon request.

ARTICLE 8

RECORDS

- 8.1 K & L agrees that all books, records, lists of names, journals, ledgers and other documents and information developed in connection with the Plan is and shall remain the property of the Client. K & L shall store and administer the records in accordance with Client's rules and regulations and shall keep all such records confidential.

ARTICLE 9

COMPENSATION OF KRAEMER & LONEY, INC.

- 9.1 For K&L Plan Administrator services provided pursuant to the Agreement for the period of March 1 through April 30, 2002 the Client will pay \$1,928.43 per month to K&L. For the period May 1, 2002 through April 30, 2003 the Client will pay \$2000 per month to K&L.
- 9.2 For K&L Accounting services provided pursuant to the Agreement for the period of April 1, 2002 through April 30, 2003 the Client will pay \$833.33 per month to K&L.

ARTICLE 10

AMENDMENT

- 10.1 This Agreement may be amended or modified only by a written agreement signed by Client and K & L, which shall be attached to and become a part of this Agreement.

ARTICLE 11

TERMINATION

- 11.1 This Agreement may be terminated by either party upon 90 days written notice.
- 11.2 This Agreement will terminate automatically and immediately as of the date the Plan or all of the Plan benefits subject to this Agreement are terminated.

ARTICLE 12

MISCELLANEOUS

- 12.1 The Client hires K & L as an independent contractor and neither K & L nor any of its employees are employees of Client.
- 12.2 K & L shall not assign this Agreement in whole or in part, nor subcontract any of the services requested to be performed hereunder without prior written approval of Client.
- 12.3 All notices required or desired in connection with this Agreement shall be sufficient, if given by mail addressed to the party receiving the notice at the address designated herein or at such other address as may be agreed to in writing by the parties.
- 12.4 This Agreement shall be interpreted and construed according to the laws of the State of Illinois.

IN WITNESS WHEREOF, the Client and K & L have caused this Agreement to be executed by their undersigned representatives.

The Village of Downers Village

By: _____

Title: _____

Date: _____

Kraemer & Loney, Inc.

By: _____

Title: _____

Date: _____