



**DATE:** May 19, 2014

**TO:** Thomas J. Bonfield, City Manager

**THROUGH:** Wanda Page, Deputy City Manager

**FROM:** Regina Youngblood, Human Resources Director  
Michele Cash, Human Resources Manager

**SUBJECT:** Benefits Consulting & Broker Services Evaluation and Recommended Selection

**Executive Summary**

In March, 2014, the Human Resources department released the Request for Proposal (RFP) for the Benefits Consulting & Broker Services contract.

The role of the broker is to assist the City of Durham with strategically planning, designing and negotiating the best coverage and cost for selective employee benefits programs. The broker will serve as a business partner in implementing employee benefit coverage programs that are available to eligible employees, spouses, children, retirees and elected officials.

Currently, the City of Durham is contracting with Independent Benefit Advisors (IBA) to perform these services. The contract will expire on September 1, 2014.

**Recommendation**

Based on the evaluation of the RFPs and interviews of the top two candidates, staff recommends that Council authorize the City Manager to award the bid to IBA for the September 1, 2014 – August 31, 2017 contract period.

Over the last four years, IBA has successfully assisted the City of Durham to convert from a fully insured to a self-insured health arrangement, saving the City more than \$32 million, delivered an online enrollment system with the ability to handle the City’s complex payroll frequencies, negotiated \$175,000 in additional wellness funds, implemented a new stop loss vendor to avoid a large increase in premium, and identified a new EAP vendor contract when our existing vendor lost government funding. Further, IBA has ensured that the City has remained in full compliance with the Affordable Care Act and is prepared to comply with future requirements.

The evaluation team consisting of the Director of Finance, Director of Audit, Director of Human Resources, and the HR Manager/Benefits unanimously concurred that based on the evaluation criteria relating to (1) Understanding of the project, (2) Methodology used for the project, (3) Management plan for the project, (4) Experience and qualification, and (5)

Contract cost, IBA presented a sound proposal that best met the requirements of the City of Durham.

The evaluation criteria relating to contract cost was weighted heavily in the selection process. The RFP required that the vendor provide a bid that included the brokerage/consultative services, an automated tool that would allow the City to process enrollments on-line, and printing costs relating to open enrollment. The tool has an estimated cost of \$100,000.

The following table provides a comparison of the rates proposed by the vendors that bid on our contract:

	<b>Consultant Fee</b>	<b>Tool</b>	<b>Printing</b>	<b>Comments</b>
<b>IBA</b>	\$162,000	Included	Included	
<b>Lockton</b>	\$96,000	Not included	Not included	
<b>Mark III</b>	\$31,200	Included	Not included	They make the bulk of their money from the ancillary products they acquire for the City.
<b>Senn Dunn</b>	\$201,864	Included	Not included	If tool costs more than \$78,000, City absorbs increase
<b>Wells Fargo</b>	\$162,000	Included	Not included	If tool costs more than \$3.00 PEPM, City absorbs increase
<b>Buck Consulting</b>	N/A	N/A	N/A	

Further, if we compare the bid submitted by IBA in comparison to the other North Carolina municipalities in IBA's book of business, the City's proposed rate is significantly less.

**Background**

In September 2010 Council voted to approve Staff's recommendation to allow the City to enter into a three year contract with IBA to act as the City's benefit Consulting and Broker Services Provider. In 2013, it was requested that the City extend the contract with IBA for one year to separate the renewal of the broker from the renewal of all other benefit providers that are placed out to bid every three years.

## Issues/Analysis

The Benefits Consulting & Broker for the City of Durham will be expected to:

- a) Audit resulting contracts for accuracy of coverage, terms, and conditions
- b) Make fact based presentations to management on current state of benefit plans and recommended changes
- c) Assist with annual benefits renewals, including negotiation of changes in contracts
- d) Prepare bid specifications, identify appropriate markets, analyze proposals submitted, make recommendations, and assist in negotiation of (preferably multi-year) contracts.
- e) Review selected employee benefit package annually for quality of benefits provided, cost effectiveness, competitiveness, and plan administration
- f) Monitor ongoing contracts, including provider plan administration, provider compliance with contract, and incurred claims
- g) Provide an on-line tool for employees to make and maintain open enrollment elections and off-cycle changes
- h) Assist in the development of Open Enrollment employee booklet to include paying for all printing costs
  - a. The open enrollment period is scheduled for approximately a 30 day period in June/July of each year with a coverage effective date of September 1. Should a substantial need arise, open enrollment may be reopened, but in no case will the open enrollment extend beyond August 31. The City shall be the sole determinant of the need for reopening or extending the open enrollment period
- i) Provide information on employee benefit issues, trends and proposed or new legislation
- j) Meet with the City of Durham management as needed
- k) Assist in the design of employee benefits communications. Participate, as needed, in Benefit Fairs and annual enrollment process
- l) Provide a key contact person to be available to answer questions and resolve issues that arise during the year regarding employee benefits, contract administration, and service provisions
- m) Evaluate various insurance products submitted by carriers, agents and brokers
- n) Notify City of Durham of required legal notices and assist in preparation of stated notices
- o) Perform other relation consultation services as needed or requested

The above expectations were articulated in the Benefits Consulting & Broker Services contract RFP. Six companies provided bids for the contract as follows (in alphabetical order):

1. Buck Consulting
2. Independent Benefit Advisors
3. Lockton
4. Mark III
5. Senn Dunn
6. Wells Fargo

The bids were all reviewed in detail with respect to the stated criteria; one bid was rejected due to the vendor's inability to provide the required information. The two companies with the highest score were brought in to the City for a meeting with the evaluation team. Wells Fargo and IBA were selected to present to the team their case for why they believe they can best meet the requirements set forth in the bid.

IBA's proven experience and qualifications, coupled with a competitive price was the final determination of their selection.

**Financial Impacts**

The financial impact of this recommendation is related to the fee charged by IBA to act as the City of Durham’s broker. The fee charged by IBA will be \$5.00 per employee per month, equivalent to their existing fee schedule. The approximate annual cost of this contract will be \$162,000. A draft of the contract can be found in Exhibit 1.

**Equal Opportunity/Equity Assurance (EO/EA) Summary**

It is a mission of the City to increase minority participation in the vendorship of the City’s benefits programs. Human Resources and EO/EA Department staff work closely with current vendors to help increase minority participation and the appreciation of diversity.

The Department of Equal Opportunity/Equity Assurance has confirmed that all proposals submitted for the Broker Services RFP are in compliance with the Equal Business Opportunity Program requirement.

Workforce statistics for Independent Benefit Advisors are as follows:

Total Workforce	10
Total Females	6 (60%)
Total Males	4 (40%)
Black Males	0 (0%)
White Males	4 (40%)
Other Males	0 (0%)
Black Females	0 (0%)
White Females	6 (60%)
Other Females	0 (0%)