



Board Agenda Item 41

DATE: May 1, 2018

TO: Board of Supervisors

SUBMITTED BY: Paul Nerland, Director of Human Resources

SUBJECT: Solicitation of Health and Ancillary Benefits Plan Proposals for Plan Year 2019

RECOMMENDED ACTION(S):

- 1. Make a finding that it is in the best interest of the County to waive the competitive bidding process consistent with Administrative Policy No. 34 for unusual or extraordinary circumstances for the solicitation of health and ancillary benefits plan proposals for Plan Year 2019.**
- 2. Authorize the Director of Human Resources to solicit competitive bids for health and ancillary benefit plans and directly negotiate agreements with vendors to provide health and ancillary benefits to active and retired County employees and their dependents for Plan Year 2019.**

Approval of the recommended actions will waive the customary purchasing process, allow the Director of Human Resources to begin the process of soliciting health and ancillary benefits plan proposals as necessary for Plan Year 2019 under various scenarios and negotiate agreements with vendors for your Board's consideration, with no increase in Net County Cost.

ALTERNATIVE ACTION(S):

The alternative to the recommended actions would be to solicit health and ancillary benefit plan proposals using the County's standard instructions and conditions for Requests for Proposals (RFP); however, the process would not allow the flexibility required for maximum leverage in negotiating directly with health vendors.

SUSPENSION OF COMPETITION/SOLE SOURCE CONTRACT:

Recommended Action No. 1 is to suspend the customary purchasing process which will allow the Director the flexibility needed to negotiate directly with health insurance and ancillary benefits providers as necessary and maximize cost effective options that best meet the needs of the County, its active and retired employees, and their dependents. The increased flexibility will give the Director maximum leverage in negotiating the highest quality and most cost-effective health insurance and ancillary benefit options. Internal Services Department - Purchasing Division concurs with the request to waive the customary purchasing process.

FISCAL IMPACT:

There is no increase in Net County Cost associated with the recommended actions for FY 2018-19. The County contributes a fixed amount toward active employees' health insurance premiums subject to meeting

and conferring with represented bargaining units. Retiree health insurance premiums are paid entirely by the participating retirees.

Ancillary benefits premiums include both County-paid and voluntary employee-paid benefits. The County pays for Basic Life Insurance for all participants in the County-sponsored health insurance program (\$0.30 per employee per pay period), Management Life Insurance (\$2.82 per employee per pay period) and Management Long-term Disability Insurance (\$3.12 per employee per pay period). Based on current enrollment, the annual cost is approximately \$43,711 for Basic Life Insurance, \$39,372 for Management Life Insurance and \$43,561 for Management Long-term Disability Insurance. These are included in the FY 2018-19 budget. Additional voluntary benefits offered are paid for by County employees through a biweekly paycheck deduction.

Consistent with the County's benefit consultant agreement (No. 16-433) with Keenan & Associates (Keenan) approved by your Board on July 12, 2016, Keenan was also selected to provide ancillary benefit consultation services that would allow for commissions to offset the overall cost of health benefit consultation services, which are currently \$60,000 per year. Agreement No. 16-433 provides for reductions in consulting fees once ancillary benefit commission exceed \$10,000 annually.

DISCUSSION:

Health Benefits

The County provides health benefit coverage for County employees, retirees and their dependents. As in prior years, your Board's approval of the recommended actions will allow the Director the ability and flexibility to negotiate directly with vendors as necessary. While this process is not under the supervision of the Purchasing Manager, much of the process is based on the formal RFP process.

With the assistance of the County's Employee Benefits Consultant, an RFP is created and distributed to a list of qualified health benefit providers compiled by the consultant. The Human Resources staff and the Employee Benefits Consultant then review and rank each bid. The Director negotiates directly with the most qualified bidder to secure the highest quality and most cost-effective health insurance options.

The County currently purchases health benefits for its active employees and their dependents through the San Joaquin Valley Insurance Authority (SJVIA), which was created by the counties of Fresno and Tulare to provide health, dental, vision and prescription insurance for both counties. It should be noted that the SJVIA went out to bid separately for health plans, including dental, vision and prescription services, and selected Anthem Blue Cross and Kaiser (Active Employees & Pre-65 Retirees), Delta Dental, Vision Service Plan (VSP) and EmpiRx. As agreements with these vendors expire, the SJVIA will go out to bid in order to obtain the most cost-effective health insurance options for SJVIA member entities. While the County has accessed health benefits for its active employees through the SJVIA since 2010, Recommended Action No. 1 provides the flexibility to negotiate fully insured health insurance alternatives outside the SJVIA should it be more beneficial to the County.

Since the County retiree Medicare plans are not part of the SJVIA, the Director intends to solicit bids for those plans. Therefore, the recommended actions apply to the expiring health benefit contracts for retirees and their dependents. The retiree plans are listed below; all agreements expire December 31, 2018.

- Kaiser Senior Advantage (Health Insurance for Retirees)
- Hartford (Health Insurance for Retirees)
- Express Scripts (Prescription Drug Insurance for Retirees)

Ancillary Benefits

In addition to health benefit coverage, the County currently offers a variety of ancillary benefits, including life and disability insurance, to employees both through its participation in the California State Association of

Counties Excess Insurance Authority (CSAC-EIA), as well as direct agreements with various insurance carriers. A table of ancillary benefits offered by the County is attached to this item (Exhibit A). This process will change that and allow the County to offer the most competitive benefits at the lowest cost.

In order to achieve the most competitive pricing, the County will solicit proposals for ancillary benefits along with health benefits for Plan Year 2019. As outlined in the Agenda Item, the County's agreement with Keenan includes ancillary benefit consultation services and allows for commissions to offset the overall cost of health benefit consultation services. The solicitation of ancillary benefits along with health benefits plan proposals is the next step in the process.

REFERENCE MATERIAL:

BAI #40, 9/26/2017 - County Health Plans for Plan Year 2018

BAI #33, 5/16/2017 - Solicitation of Health Benefits Plan Proposals for Plan Year 2018

BAI #38, 7/12/2016 - Agreement with Keenan & Associates to provide Employee Benefits Consulting Services

BAI #9, 10/06/09 - SJVIA Agreement Jointly Purchasing Health Insurance

ATTACHMENTS INCLUDED AND/OR ON FILE:

Suspension of Competition Acquisition Request

Exhibit A - Ancillary Benefits Offered by the County of Fresno

CAO ANALYST:

Juan Lopez