


REQUEST FOR COUNCIL ACTION

TO: Mayor via City Secretary

RCA# 10285

Subject: Ordinance Awarding a Contract to the Best Respondent for the Health Benefits Programs for the Human Resources Department	Category # 4	Page 1 of 3	Agenda Item
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FROM (Department or other point of origin): Calvin D. Wells City Purchasing Agent Finance Department	Origination Date October 30, 2014	Agenda Date
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DIRECTOR'S SIGNATURE 	Council District(s) affected All
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For additional information contact: Gerri R. Walker Phone: (832) 393-6058 Joyce Hays Phone: (832) 393-8723	Date and Identification of prior authorizing Council Action:
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RECOMMENDATION: (Summary)
Approve an ordinance awarding a contract to The Segal Company (Western States), Inc., known as Segal Waters Consulting in the amount of \$2,045,500 for consulting services for the Health Benefits Programs for the Human Resources Department.

Maximum Contract Amount: \$2,045,500.00	Finance Budget 
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\$1,926,000 - Benefits Fund (9000)
\$ 119,500 - Long Term Disability Fund (9001)
\$2,045,500 - TOTAL

SPECIFIC EXPLANATION:
The City Purchasing Agent and the Director of Human Resources recommend that City Council approve an ordinance awarding a three year contract with two one-year options to The Segal Company (Western States), Inc., known as Segal Waters Consulting, in the amount of \$2,045,500 for Health Benefits Programs for the Human Resources Department. The Director of Human Resources may terminate the contract at any time upon 30-days written notice to the contractor.

The scope of services requires the contractor to provide services for various projects to manage program costs, as well as specific projects attributable to health benefits:

1. Preparation and analysis of Requests for Proposal for:
 - Third Party Administrator / Pharmacy Benefit Management Services
 - Medicare Advantage / Medicare Supplement / Medicare Part D
 - Dental
 - Vision
 - Long-term Disability
 - Short-term Disability
 - Supplemental Insurance
 - Third Party Administrator Services for Flexible Spending Accounts (Health and Dependent Care)
2. Program / vendor management and ongoing consulting for the Health Benefits Delivery system (to include analysis of plan utilization, contribution strategy, plan design, cost control methods, analysis of contract renewals);
3. Actuarial valuations for:
 - Calculation of GASB-45 liability and alternative solutions to mitigate liability of post-retirement benefits
 - Retiree Drug Subsidy program (RDS)
4. Dependent eligibility audit;

REQUIRED AUTHORIZATION

Finance Department:	Other Authorization:	Other Authorization:
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5. Procedures audits to ensure timely accurate claims processing and contract compliance. Auditable plans include:

- Flexible Spending Accounts (FSA) for medical and dependent care
- Long-term Disability
- Performance Guarantees

6. Member satisfaction surveys.

This Request for Proposal (RFP) was advertised in accordance with the requirements of the State of Texas bid laws, and as a result, proposals were received from eleven firms: Aon Risk Consultants, Inc., Buck Consultants, Chapman Schewe, Frost Insurance Agency, Inc. d/b/a Frost HR Consulting, Gallagher Benefit Services, Inc. Hay Group, Holmes Murphy, Sigma Risk Management, Six Degrees, The Segal Company (Western States), Inc., known as Segal Waters Consulting, and StarSoft Solutions. Initially, the RFP included a scope of services for Workers' Compensation and a Data Warehouse. Due to the long-term costs of the Data Warehouse, a decision was made not to implement one at this time; however an RFP may be issued at a later date. Also, due to the disparity among cost quotes, the Workers' Compensation projects will be re-bid in the near future. The evaluation committee consisted of Human Resources Department subject-matter experts and they evaluated the proposals based upon the following criteria:

- A. Qualifications / Previous History / Project Experience of Proposer and Staff
- B. Service Delivery / Technical Requirements
- C. Price
- D. Systems Security and Confidentiality
- E. Financial Strength
- F. M/WBE Participation

Frost Insurance Agency, Inc. d/b/a Frost HR Consulting received the highest overall score for the Long-term Disability actuarial analysis, and Gallagher Benefit Services, Inc. received the highest overall scores for medical claims audits and prescription drug plan review. The Segal Company (Western States), Inc. received the highest overall scores for Program Management/Ongoing Consulting, Member Satisfaction Surveys, some auditing services, and the Long Term Disability Request for Proposal. Aon Risk Consultants, Inc. received the highest overall scores for the preparation and analysis of Requests for Proposals and actuarial valuations; however, Aon did not execute the Agreement with the City due to their objections to city-required contract language; therefore, Aon's projects were re-allocated to Segal and Gallagher. Frost did not propose on those projects or did not have professional expertise to complete them. The projects allocated to Frost and Gallagher were approved by Council on September 17, 2014.

Consulting Firm	\$ Value of Projects Allocated	% of Projects Allocated
The Segal Company (Western States), Inc.	\$2,045,500	59.44%

Pay or Play Program:

The proposed contract requires compliance with the City's "Pay or Play" ordinance regarding health benefits for employees of City contractors. In this case, the contractor will provide health benefits to eligible employees in compliance with City policy.

M/WBE Subcontracting:

This RFP was issued with a 24% goal for M/WBE participation. Segal has designated the below-named companies as its certified M/WBE subcontractors:

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Consulting Firm	MWDBE Vendor	Type Of Work	Dollar Amount	Percentage
The Segal Company (Western States), Inc.*	Decision Information Resources	Member Surveys Assistance	\$49,092	2.40%
	W.J. Alexander & Associates	Consulting Services	\$75,000	3.65%
TOTAL:			\$124,092	6.05%

*Attachment: 6.05 Percentage Goal Document for the Segal Company (Western States), Inc. approved by the Office of Business Opportunity.

The Mayor's Office of Business Opportunity will monitor the contracts.

Hire Houston First:

The proposed contract requires compliance with the City's "hire Houston First" ordinance that promotes economic opportunity for Houston businesses while supporting job creation. In this case, the proposed contract does not meet the requirements of Hire Houston First.

Human Resources Estimated Spending Authority

Consulting Firm	FY 2015	Out Years	TOTAL
The Segal Company (Western States), Inc.	\$504,500	\$1,541,000	\$2,045,500