



Naperville

CITY COUNCIL AGENDA ITEM

SUBJECT: Recommend the Award of RFP 14-007, Benefits Broker

TYPE OF VOTE: Simple Majority

ACTION REQUESTED:

Approve the Award of RFP 14-007, Benefits Broker, to GCG Financial, Inc. for an amount not to exceed \$248,983.20 for a three-year contract period, plus two additional two-year options for renewal, based on pricing and successful vendor performance.

BOARD/COMMISSION REVIEW:

N/A

COUNCIL ACTION PREVIOUSLY TAKEN:

Date	Item No.	Action
4/1/14	I 7	Tabled to April 15, 2014

DEPARTMENT: Human Resources
Procurement Services Team

SUBMITTED BY: Michael Bevis, Chief Procurement Officer

FISCAL IMPACT:

Budgeted Account: 623-9210-585.35-09
Budgeted Amount: \$90,500 FY14-15

BACKGROUND:

On April 1, 2014 the City Council tabled this agenda item until April 15, 2014 after questions were raised about the City's ability to offer a financial incentive to our employees to select health insurance options other than the City's insurance, including a spouse's plan. The Council also asked about the timing of this contract in light of staff turnover. The original agenda memorandum is attached as Attachment A.

DISCUSSION:

Timing:

Staff recommends that Council approve the Benefits Broker contract at the April 15 meeting for the following reasons:

- A comprehensive analysis of the City's plan design for both medical and dental plans needs to be performed in advance of the City determining appropriate action for next year since the current BCBS Illinois contract expires December 31, 2014. This analysis should be performed during April and May so that the healthcare negotiation process is productive by June or July. This timeframe will allow the City to get materials ready in September for the October-November Open Enrollment. The actual bid process includes involvement by the broker who will have bidders re-price the City's claims and analyze the networks.
- A new Human Resources Director will not be named in time to comply with the timeframe set forth above. The City's Benefit and Compensation Manager is the person who interfaces and directs the benefit broker's support and activities.
- Staff has been without a Benefits Broker since Aon's contract expired December 31, 2013, which means that the analysis of the \$1.4 million in monthly medical and dental claims is being done solely by staff without any discussions or analysis by the broker's actuaries.

Opportunities to pursue financial incentives related to health care plan design:

The area of incentivizing spouses to leave the City's plan is one of the many plan design changes that the new benefit broker can analyze. There is nothing in this bid approval that restricts the City's ability to explore this option. In 2004, the City Council rejected the concept of paying employees to leave the City health insurance. It should be noted that this type of program would require annual (not one-time) payments to employees since they have the right to re-enroll in the City's plan each year at open enrollment. The City of Joliet has adopted a program to encourage employees to leave their plan in favor of a spousal plan. Joliet pays an employee \$2,600 annually to opt-out of their plan and \$5,200 annually for employees plus one or more family members to opt-out. Participation is fairly low - at less than 7%.

Staff met with the consultants referenced at the April 1, 2014 City Council meeting. They set up Medical Expense Reimbursement Programs (MERP) for employers. The City already has three such programs, which are all IRS qualified, including the City's Health Reimbursement Account, Health Savings Account and the Flexible Spending Account. The consultant suggested that the City deposit the spousal incentive into an account they would establish and the consultant would be paid a 20% commission for any savings the City realizes from the migration of employees from the City's plan. We will continue to consider all opportunities to improve the city's health insurance options with an eye toward wellness and consumerism.

RECOMMENDATION:

Approve the Award of RFP 14-007, Benefits Broker to GCG Financial, Inc. for an amount not to exceed \$248,983.20 for a three-year contract period, plus two additional two-year options for renewal, based on pricing and successful vendor performance.

ATTACHMENTS:

1. April 1, 2014 agenda item.



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BOARD/COMMISSION REVIEW:

N/A

COUNCIL ACTION PREVIOUSLY TAKEN:

Date	Item No.	Action
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DEPARTMENT: Human Resources
Procurement Services Team

SUBMITTED BY: Michael Bevis, Chief Procurement Officer

FISCAL IMPACT:

Budgeted Account: 623-9210-585.35-09

Budgeted Amount: \$90,500 FY14-15

BACKGROUND:

The City of Naperville released a Request for Proposal in August 2013 in order to establish a long-term relationship with an experienced and qualified broker to partner with the City to strategically plan, analyze, negotiate, implement and comprehensively support the employee benefits programs. The City provides employees with more than a dozen benefit coverages. There are five core healthcare coverages that the broker will assist the City in delivering in the most cost-effective way possible since these components of the health plan cost upwards of \$18 million annually (self-funded medical, prescription drug, and dental plans, wellness initiatives,

14-007, Benefits Broker
 April 1, 2014
 Page 2 of 3

and stop-loss medical coverage). The broker will also be available to advise City staff on the other benefits including life insurance, COBRA and FMLA coverages, pre-tax flexible spending accounts, and voluntary options like vision, disability, critical illness and auto and home insurance.

The City’s Contract 09-016 for Medical Benefits Broker with Aon Hewitt expired on December 31, 2013 during the procurement process. Aon Hewitt was the City’s broker for these services since August 2008.

DISCUSSION:

NOTIFICATION AND RESPONSE:

Notices Sent: 319
 Planholders: 19
 Proposals Received: 6

Proposals were received from the following consulting firms:

Aon Hewitt	GCG Financial Inc.
CBIZ Benefits and Insurance Services, Inc.	Mesirow Financial
Gallagher Benefit Services	Segal Company

A selection team comprised the City Manager, staff from Finance, Human Resources and the Fire Department evaluated the proposals, which were scored based upon the criteria set forth in the RFP:

1. Value of Services Offered – 30%
2. Proven success with implementation of innovative benefit strategies and technology enhancements – 25%
3. Experience – 25%
4. Client Portfolio – 10%
5. Responsiveness to RFP – 10%

Interviews were conducted with all six firms to confirm their experience and qualifications. Following the first set of interviews, the consultants were scored and short-listed. Four firms were shortlisted, Aon Hewitt, Segal Company, GCG Financial, and CBIZ Benefits and Insurance Services.

An assignment was provided to the consultants short-listed for a second interview in order to gain additional knowledge on the capabilities of the firms and their willingness to meet the requirements and expectations of City Staff. Aon Hewitt decided to withdraw from the City’s procurement process prior to the second interviews, stating their inability to provide the expected scope of services in exchange for the budget that was being proposed. The three remaining short-listed firms were interviewed and scored again in order to determine the finalists. The Segal Company scored only 78 on their last interview and was not invited to provide pricing.

14-007, Benefits Broker
 April 1, 2014
 Page 3 of 3

The two highest scoring firms, CBIZ Benefits and Insurance Services, Inc (CBIZ) and GCG Financial Inc. (GCG) were asked to submit their cost proposals for a three-year term.

CONSULTANT NAME	Final interview score	Proposal Cost	Adjusted Cost
GCG Financial	93	\$ 82,994.40	\$ 89,241
CBIZ Inc.	90	\$ 90,000.00	\$ 100,000

GCG submitted the lowest cost proposal and consistently had the highest scores, thereby giving them the lowest adjusted cost. GCG is being recommended for this contract award.

RECOMMENDATION:

Approve the Award of RFP 14-007, Benefits Broker to GCG Financial, Inc. for an amount not to exceed \$248,983.20 for a three-year contract period, plus two additional two-year options for renewal, based on pricing and successful vendor performance.

ATTACHMENTS:

1. Summary Score Sheet

PRIOR ACTION

First Interview Scores

CONSULTANT NAME	Dan	John	Kaitlynn	Karen	Margo	Natalie	Toni	Total Points	TOTAL Averaged Score
Aon Corporation	69	83	74	82	82	95	83	568	81
CBIZ Inc.	81		76	60	98	80	64	459	77
Gallagher Benefit Services	68		78	73	78	88	70	455	76
GCG Financial	90	94	94	88	84	95	83	628	90
Mesitrow Financial	73	75	70	73	66	71	69	497	71
Segal Company	82		92	78	96	88	80	516	86

Second Interview Scores

CONSULTANT NAME	Doug	Margo	Denny	Dan	John	Total Points	Total Averaged Score
BIZ Inc.	84	82	92	94	100	452	90
GCG Financial	90	100	94	87	95	466	93
Segal Company	75	78	80	65	90	388	78

Combined Average

CONSULTANT NAME	1st interview score	2nd interview score	Total Averaged Score	Proposal Cost	Adjusted Cost
CBIZ Inc.	77	90	84	\$ 90,000.00	\$ 107,142.86
GCG Financial	90	93	92	\$ 82,994.40	\$ 90,210.87
Segal Company	86	78	82		

Second Interview Score

CONSULTANT NAME	2nd interview score	Proposal Cost	Adjusted Cost
CBIZ Inc.	90	\$ 90,000.00	\$ 100,000.00
GCG Financial	93	\$ 82,994.40	\$ 89,240.86
Segal Company	78		