



## Legislation Text

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File #: 19-171, Version: 1

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### **CITY COUNCIL AGENDA ITEM**

#### **ACTION REQUESTED:**

Approve the award of the Second Extension to Contract 14-007, Benefits Broker, to GCG Financial, Inc. for an amount not to exceed \$231,320 and for a term of 32 months.

**DEPARTMENT:** Human Resources

**SUBMITTED BY:** James Sheehan, HR Director

#### **BOARD/COMMISSION REVIEW:**

N/A

#### **BACKGROUND:**

On April 15, 2014, the City Council approved the award of RFP 14-007, Benefits Broker, to GCG Financial (GCG) for a three-year contract period, with two, two-year options to extend the contract term. On April 18, 2017, the first two-year option was approved by City Council. The term of the first extension ends on April 30, 2019 with one, two-year extension remaining.

GCG assists the City in delivering the most cost-effective services in five core areas. These areas are: self-funded medical; prescription drugs; dental plans; wellness initiatives; and stop-loss insurance coverage. GCG also advises City staff on other benefits including life insurance, COBRA, FMLA and pre-tax flexible spending and health savings accounts. GCG further collaborates with the City on its voluntary benefit options like vision, disability, critical illness and auto and home insurance.

#### **DISCUSSION:**

GCG has performed well during the original term and the first extension period. GCG has lowered the City's Blue Cross Blue Shield fixed cost administrative fees and conducted numerous RFPs to lower costs and/or improve service for participants, including the introduction of a new dental health vendor (Delta Dental) and a Medicare supplement plan (Benistar) for retirees. Through Delta Dental's network, the City has been able to offer better coverage while reducing costs. Since the introduction of Benistar combined with charging retirees the full premium amount, the City has seen a 78% reduction in over 65 retirees in the plan.

GCG also assisted with introducing consistent contract language for all participants (union and non-union) and syncing benefits renewals and related charges with the City's calendar fiscal year. More recently, GCG introduced the City to Employers Health, a coalition of over 300 employers. The coalition benefits from group purchasing strategies in addition to data analytics, information tools and advice on prescription drugs. Through this coalition a new pharmacy benefit manager (CVS Caremark) was selected to lower costs and drive consumerism to participants. Since moving to Employers Health and CVS Caremark, the City has seen double digit percentage savings each year

on pharmaceutical costs and an increase in manufacturer rebates.

During the contract term, GCG has also recommended and assisted with the introduction of a 4-tier plan structure (adding employee plus child/children), enhancements to the City's high-deductible plan and the elimination of the City's most costly plan in 2019. The City and the participants have received overall cost savings, including no premium increase in 2019, with enhanced benefit coverage and service in each of the years since the initial contract.

GCG, in coordination with the City's Benefits group, has helped drive education programs and overall improved marketing and communication of the City's benefits offerings to all participants, including employees, City partner employees and retirees. City staff will continue to work with GCG to look for ways to offer cost-effective health care options.

Staff is requesting approval of the final extension to the contract. GCG has agreed to renew the contract for the second extension with no change to the administrative costs. The contract indicates that the extensions are two years (24 months). However, City staff would like to request a 32-month extension in order to align the contract termination with the City's fiscal calendar. If approved, the term for the second extension will be May 1, 2019 through December 31, 2021.

**FISCAL IMPACT:**

CIP: N/A

Broker services are expensed to the Professional Services account listed below. A total of \$105,000 is budgeted for a benefits broker in 2019. The remaining funds will be budgeted in 2020 and 2021.

<b>Account Number</b>	<b>Fund Description</b>	<b>Total Budget Amount</b>
623-9210-585.35-09	Self-Insurance	\$231,320