Agenda Item No. 5.

City of Wichita
City Council Meeting
July 8, 2008

TO: Mayor and Members of the City Council

SUBJECT: Health and Benefit Consultant Contract

INITIATED BY: Finance Department

AGENDA: New Business

Recommendation: Approve contract.

Background: In 2004, the Health Insurance Advisory Board and the City Council approved using an independent Health and Benefits Consultant to assist in the selection process of a health insurance and benefits plan. That contract expired and a new competitive Request for Proposal (RFP) was issued.

The Request for Proposal (RFP) was issued through the City’s Purchasing system. The RFP requested the vendor to:

- Review the existing benefit plans and make recommendations for cost-effective improvements;
- Survey and prioritize health care and benefit plan needs;
- Establish strategic goals and objectives for City health care and benefit plans;
- Develop competitive bid specifications for the 2009 City Benefits Plan programs (such as dental, group term life, disability etc.) and determine if these products are still viable and competitive;
- Screen vendors and assist with final recommendations for providers and contract terms;
- Provide a Self-Insurance cost analysis monthly and provide premium equivalents annually;
- Conduct a health and productivity review of Wellness Coaches USA;
- Develop competitive bid specifications for a third Party Administrator (TPA) for the Self-Insured Health Plan for implementation in 2010 and screen vendors and assist with final recommendations for providers and contract terms.

A summary of the Request for Proposal evaluation criteria include:

- The firm has experience and expertise based on past projects to carry out the project;
- The quality of the firm’s professional staff assigned to the project is commensurate with project needs;
- The firm has experience with health and benefit plans, particularly as they relate to municipal corporations;
- The firm has experience with evaluating consumer-driven health care plans in general;
- The firm has direct experience in designing, implementing and evaluating Wellness programs.

A bid notice was published in the official newspaper on February 4, 2008, the RFP was placed on the City’s e-Procurement web site and notices were mailed to 128 different firms across the United States. A total of 14 written proposals were received.
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A ten member Screening and Selection Committee was created to review the proposals. The Committee was comprised of representatives from: City Manager’s Office; Department of Finance; Human Resources; Department of Law; and the four employee bargaining groups (Employees Council; Fraternal Order of Police; International Association of Firefighters and Service Employees Union). The Screening and Selection Committee also comprised a majority of the members of the Health Insurance Advisory Committee. Members of the Staff Screening and Selection Committee reviewed the Request for Proposal and the proposal responses.

The Screening and Selection Committee reviewed all fourteen written proposals for a new Health and Benefits Consultant and independently ranked each proposal based on the ranking criteria listed in the RFP. The top five firms were selected to make detailed presentations to the Screening and Selection Committee. The detailed presentations were held May 2, 2008. Following the detailed presentations, the Screening and Selection Committee independently ranked the presentations and proposals based on the ranking criteria listed in the RFP.

Analysis: The Screening and Selection Committee recommends award of the contract to the firm of Aon Consulting, Inc., a New Jersey corporation with an office in Kansas City, Missouri, based on their experience on previous projects, staff expertise, as well as price. Aon Consulting, Inc. submitted the lowest cost fee of the final five firms at $117,000 per year, guaranteed for four years, and decreasing to $107,000 in the fifth year. Aon Consulting, Inc. proposed using a team of subject matter experts including a Senior Professional in Human Resources, Certified Employee Benefit Specialists, Member of the American Academy of Actuaries, a Wellness consultant, a Communications consultant and other experts as needed. In addition, Aon Consulting due diligence review indicates the following:

- Aon was selected by the readers of Business Insurance as the “Best Employee Benefit Consulting Firm” in 2006 and 2007;
- Number of Aon Consulting employees worldwide: 6,500;
- Number of countries in which Aon Consulting operates: 98, with the ability to deliver solutions through other Aon offices in an additional 34 countries;
- Aon serves half of the Fortune 500 and over 10,000 clients worldwide;
- Aon annual revenue is $1.6 billion dollars.

Legal Considerations: The contract has been reviewed and approved as to form by the City Attorney’s Office.

Goal Impact: The employee insurance program is a part of the Internal Perspective goal. The Self-Insured health and prescription drug program, Wellness program and the fully-insured benefit programs are also a part of the City’s strategic plan. The plan is to combine employee wellness programs, self-insured health and Rx plans and fully-insured benefit plans to minimize future insurance premium increases for the employee and the City, and improve the long-term health of City employees.

Financial Considerations: The contract would be for a not to exceed fee of $117,000 per year with four one year options. Costs in year five reduce to $107,000. Funds are budgeted in the Group Health Insurance Fund to pay for a consultant.

Recommendation/Action: It is recommended the City Council approve the contract and authorize the
appropriate signatures.