



AGENDA MEMORANDUM

Future Item for the City Council Meeting of May 15, 2018
Action Item for the City Council Meeting of May 22, 2018

DATE: May 15, 2018

TO: Keith Selman, Interim City Manager

FROM: Steve Viera, Director of Human Resources
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Service Agreements for Employee Health Benefits
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CAPTION:

Resolution authorizing negotiation and execution of four, three-year service agreements to provide third-party administration of the City's self-funded employee benefits for a total estimated cost of \$127,400,000, with two one-year renewal options.

PURPOSE:

Approval to execute contracts for employee health benefits.

BACKGROUND AND FINDINGS:

The current contracts for employee health benefits are expiring. These benefits are for City employees including both Fire and Police labor groups. A Request for Proposal No. 1484 was released January 15, 2018 to start the process for new contracts. The City solicited all lines of coverage with the exception of vision. The City received 30 proposals for these services, and evaluations of the proposals began by the City's evaluation committee and health benefits consultant. The five top scoring firms proposing to provide medical and pharmacy benefits were invited for interviews. Upon completion of the interviews the five top firms were asked to submit their best and final offers (BAFOs). The BAFOs were evaluated and final scores were tabulated for each firm to determine the highest ranking firm offering the best value to the City for health benefits.

The life and long term disability providers were evaluated in the same manner with the exception that no interviews were conducted. These firms also provided a BAFO for review. Scores were tabulated and the highest ranking firm offering the best value to the City for life and long term disability benefits are being recommended for award.

The procurement covered stop loss coverage as well, however pricing cannot be finalized for a few months therefore, the award of this coverage will be presented at a later date.

The City recommends award to the following companies:

- **Blue Cross and Blue Shield of Texas (BCBSTX)**, a Division of Health Care Service Corporation, of Richardson, Texas, for medical, dental and COBRA plans with an estimated cost of \$97,860,000.
- **CAREMARKPCS HEALTH, L.L.C. (CVS)**, of Northbrook, Illinois, for pharmacy benefits with an estimated cost of \$26,800,000.
- **Dearborn National Life Insurance Company**, of Lombard, Illinois for life insurance including ADD, optional and supplemental plans with an estimated cost of \$2,060,000.
- **Ochs, Inc., on behalf of Madison National Life Insurance Company, Inc.**, of Madison, Wisconsin for long term disability with an estimated value of \$680,000.

ALTERNATIVES:

No feasible alternative

OTHER CONSIDERATIONS:

No feasible considerations

CONFORMITY TO CITY POLICY:

This purchase conforms to the City's purchasing policies and procedures and State Statutes regulating procurements.

EMERGENCY / NON-EMERGENCY:

Non-emergency

DEPARTMENTAL CLEARANCES:

Human Resource Department, Financial Services Department, Legal Department and Budget Department

FINANCIAL IMPACT:

X Operating Revenue Capital Not applicable

Fiscal Year: 2017-2018	Current Year	Future Years	TOTALS
Line Item Budget	\$0.00	\$127,400,000	\$127,400,000
Encumbered / Expended Amount	\$0.00	\$0.00	\$0.00
This item	\$0.00	\$127,400,000	\$127,400,000
BALANCE	\$0.00	\$0.00	\$0.00

Fund(s): N/A

Comments: There are no funds needed for this fiscal year as the contracts will not begin until next fiscal year. The estimated value of these contracts is \$127,400,000 for the initial three-year term. Please note that the three-year total contract cost of \$127,400,000 is an estimated amount based on medical, dental and pharmacy enrollment and utilization as well as employee participation in Life and LTD programs. Fluctuation in utilization may alter the total cost.

RECOMMENDATION:

Staff recommends approval of the Resolution.

LIST OF SUPPORTING DOCUMENTS:

Resolution
Evaluation Matrix
Presentation