

ITEM TITLE:

Health Insurance Review Committee: Status of Broker/Consultant Review Report

SUBMITTED BY: Brian Carlson, Finance Director

FISCAL NOTES:

Expenditure Required: N/A

Unencumbered Balance: N/A

Funding Source: N/A

RECOMMENDATION:

receive and file

SUMMARY STATEMENT:

This report appries Council of a recommended change in the City's Health Insurance Broker/Consultant, which will be presented for formal adoption in January.

- Staff retained a specialist attorney in October to assist in a review of the City/School Health Insurance plan.
- Staff published an RFP for broker/consultant services.
- An administrative committee representing employees and management of City and Schools was formed to review the RFP replies.
- The committee recommends a change in the broker/consultant relationship, which will be formalized in a contract to be presented to Council in January.
- This change entails no change to the plan structure at this time.
- Benefits plan changes must be approved by Council.

BACKGROUND:

In an ongoing effort to proactively address both the rising costs of health care, and the overall quality of the health insurance plan, the Finance Director has recently established a working group (Health Insurance Review Committee), comprised of one representative each from the ERT, City Management (Police Chief), School Administration (School Finance Director), School District employees union (Mayor Knight), plus the Finance and Human Resources Directors.

This group is tasked with review and assessment of the health benefit plan, with the help and input of an attorney who specializes in group health plans and related

regulations. **The objective is to balance the plan attributes with cost containment, so as to optimize and sustain this recruitment and retention tool.**

ANALYSIS:

The specialist/attorney and Finance Director began their assessment by briefly exploring the possibility of merging with another public-sector plan. This option was soon dismissed, as there are no such plans that accept both union and non-union membership and also allow for the retention of the basic plan structure.

The attorney next suggested that the City and Schools best address plan objectives by reviewing their broker/consultant relationship, as this is who negotiates health service provider agreements and who introduces plan design attributes. On this basis, the group reviewed a draft RFP, which was subsequently published.

The RFP yielded two replies from four likely candidates. Both respondents (the current broker/consultant and a new candidate) attended interviews in Valdez on December 11. It was the unanimous opinion of the group that the new candidate (Parker, Smith, Feek) was best qualified to meet the group's objectives for the plan. Staff will bring a contract for council approval in January.

CONCLUSION:

Parker, Smith, Feek (PSF) proposes a \$17K / 44% higher fee than the current broker, Insurance Brokers of Alaska. However, the unanimous opinion of the group is that:

- PSF offers the best value on a qualifications basis
- the \$17K fee difference is immaterial in the context of a \$5MM plan
- through improved service negotiations and creative plan design, the fee differential will be more than offset

While normal contracting procedure would involve simply bringing a contract to Council for approval, the nature and reach of this topic prompted staff to make one additional "pass" before Council prior to issuing an award letter and drafting a contract. Assuming no objection from Council, the award letter will be issued following on December 20th, and a contract will be presented in January.

While the proposed broker/consultant change entails no initial change to the plan itself, one of the purposes of this new relationship is to proactively explore future changes. For this reason, staff proposes a continuation of this informal review group, so as to ensure ongoing representation of all stakeholders.