HR Consulting Services

Briefing

by

Human Resources Department
BACKGROUND FACTS:

- The HR Department is proposing to contract with “expert-in-the-field” consulting firms to provide professional consulting services for the Health Benefits Fund, other funds, and for valuations required by state and federal law.
- FY15 health benefits costs are projected to be $315 million.
- The city’s GASB-45 liability for post employment retiree benefits is more than $2 billion.
- Projected annual Benefits consulting costs as a percent of expected Health Benefit Fund expenses in FY15 is:

<table>
<thead>
<tr>
<th>FY15 PROJECTED HEALTH BENEFITS COSTS</th>
<th>FY15 PROJECTED CONSULTING COSTS</th>
<th>FY15 CONSULTING COSTS AS % OF HEALTH BENEFITS COSTS</th>
</tr>
</thead>
<tbody>
<tr>
<td>$315,000,000</td>
<td>$518,895</td>
<td>0.16%</td>
</tr>
</tbody>
</table>
PROCUREMENT PROCESS

- Human Resources and Strategic Purchasing drafted and released the RFP for Consulting Services and a Data Warehouse.

- The RFP was released on December 13, 2013

- RFP due date was January 30, 2014

- Eleven consulting firms responded

- An evaluation committee of seven core members and an ad hoc committee consisting of six subject matter experts evaluated and rated each of the proposals.

  - Strategic Benefits Planning & Design – Division of HR Department
  - Financial Risk Management - Division of HR Department
  - Workers’ Compensation and Safety - Division of HR Department
  - Strategic Purchasing - Division of Finance Department
  - Houston Information Technology Services (HITS)
Invitation to Propose:

In conjunction with publication of ads in the “Houston Chronicle” and the “Houston Business Journal,” invitations were sent to several firms requesting they submit proposals in response to the RFP:

- Aon Consulting, Inc.
- Arthur J. Gallagher & Co.
- Buck Consultants
- Chapman Schewe
- Frost HR Consulting
- Grant Thornton
- Holmes Murphy
- Mercer
- Milliman
- Segal Consulting
- Many others
Criteria for evaluation of proposals:

- The ability of the consultant to perform the detailed Scope of Services requested in the RFP
- Expertise
- Financial competitiveness
- Financial stability of the firm
- Reputation and the city’s past experience with the consulting firm
- Scoring criteria
- Oral presentations
- Systems and Technical capabilities
- Commitment to the MWBE Program
WHO SUBMITTED PROPOSALS?

Eleven consulting firms responded:

- Aon Consulting, Inc.
- Arthur J. Gallagher & Co.
- Buck Consultants
- Chapman Schewe
- Frost HR Consultants
- Holmes Murphy
- Segal Consulting
- Sigma Risk Management
- Six Degrees Health
- Starsoft Solutions
- The Hay Group
WHO WAS SELECTED & WHY?

Based upon quoted fees, responses to an in-depth questionnaire, reputation, expertise to perform the required projects, and oral presentations the Evaluation Committee selected the following vendors:

- Aon Consulting, Inc.
- Arthur J. Gallagher & Co.
- Frost HR Consultants
- Segal Consulting
SCOPE OF PROJECTS

Projects to be performed will include:

- Requests for Proposals and Analyses for:
  - TPA for the Healthcare Delivery System
  - Medicare Plans
  - Dental
  - Supplemental Insurance
  - Group Term Life
  - TPA for Long Term Disability
  - Vision
  - Administrator for FSA / Dependent Care
  - Short-Term Disability Plan
SCOPE OF PROJECTS CONT’D

- Program and vendor management for all health benefits
- Actuarial valuations / reviews for:
  - All medical/pharmacy, LTD, and workers’ compensation Incurred but not Reported (IBNR) claims
  - GASB-45 post retirement liability study, and recommendations for lowering this long-term liability
  - Retiree Drug Subsidy (RDS) program
- Procedures and plan compliance audits for:
  - Medical and prescriptions drug plans
  - Health plan performance guarantees
  - Long Term Disability
  - Flexible Spending / Dependent Care accounts
  - Member eligibility
COSTS BY PROJECT TYPE

<table>
<thead>
<tr>
<th>PROJECT</th>
<th>5-YEAR CONTRACT VALUE</th>
</tr>
</thead>
<tbody>
<tr>
<td>RFPs</td>
<td>$624,000</td>
</tr>
<tr>
<td>Actuarial Services</td>
<td>$456,139</td>
</tr>
<tr>
<td>Auditing Services</td>
<td>$1,203,000</td>
</tr>
<tr>
<td>Medical / Medicare / Rx</td>
<td>$688,500</td>
</tr>
<tr>
<td>Ongoing Consulting Projects</td>
<td></td>
</tr>
<tr>
<td>Miscellaneous Projects*</td>
<td>$417,813</td>
</tr>
<tr>
<td><strong>5-YEAR TOTAL</strong></td>
<td><strong>$3,389,452</strong></td>
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COSTS BY FUND

<table>
<thead>
<tr>
<th>FUND</th>
<th>5-YEAR CONTRACT VALUE</th>
</tr>
</thead>
<tbody>
<tr>
<td>Health Benefits</td>
<td>$3,169,736</td>
</tr>
<tr>
<td>Long Term Disability</td>
<td>$183,975</td>
</tr>
<tr>
<td>Workers' Compensation</td>
<td>$35,741</td>
</tr>
<tr>
<td><strong>5-YEAR TOTAL</strong></td>
<td><strong>$3,389,452</strong></td>
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*These projects will not affect the General fund.

* Miscellaneous projects include contingency projects, satisfaction surveys, PPACA compliance evaluation, annual review of performance guarantees, etc.
## COST OF PROJECTS / MWBE PARTICIPATION

### COSTS BY CONSULTANT

<table>
<thead>
<tr>
<th>CONSULTANT</th>
<th>5-YEAR CONTRACT VALUE</th>
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<tbody>
<tr>
<td>Aon Consulting, Inc.</td>
<td>$921,977</td>
</tr>
<tr>
<td>Frost HR Consulting</td>
<td>$117,975</td>
</tr>
<tr>
<td>Arthur J. Gallagher &amp; Co.</td>
<td>$1,025,000</td>
</tr>
<tr>
<td>Segal Consulting</td>
<td>$1,324,500</td>
</tr>
<tr>
<td><strong>5-YEAR TOTAL</strong></td>
<td><strong>$3,389,452</strong></td>
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### MWBE PARTICIPATION

<table>
<thead>
<tr>
<th>CONSULTANT</th>
<th>MWBE VENDOR</th>
<th>GOAL %</th>
</tr>
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<tbody>
<tr>
<td>Aon Consulting, Inc.</td>
<td>W. J. Alexander &amp; Associates</td>
<td>24%</td>
</tr>
<tr>
<td>Frost HR Consulting</td>
<td>Foundation Strategies</td>
<td>24%</td>
</tr>
<tr>
<td>Arthur J. Gallagher &amp; Co.</td>
<td>Lacey Newday Consulting Strategies</td>
<td>24%</td>
</tr>
<tr>
<td>Segal Consulting</td>
<td>MWBE vendor selection in process</td>
<td>24%</td>
</tr>
</tbody>
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RECOMMENDATION

Approve:

Three-year contracts, with two one-year options, for consultants to provide consulting services to maintain cost-effective and legally compliant benefits plans for City of Houston employees, retirees and their dependents. The consultants of choice are:

- Aon Consulting
- Frost HR Consulting
- Arthur J. Gallagher & Company
- Segal Consulting