

MEMORANDUM
HUMAN RESOURCES DEPARTMENT

TO: Thomas Thomas, City Manager

SUBJECT: Health Consultant

DATE: March 27, 2013

The Health Care Planning Committee (HCPC) conducted a request-for-qualifications for health consulting services. Consultants were asked for assistance on the following projects:

- I. Insurance Benefit Plan Vendor Selection**
 - Administrator of Health Plan Services (RFP in 2015)
 - PPO Network Access (including an out-of-area PPO overlay)
 - UM/CM Services (including Chronic Disease Management and a 24/7 Nurseline)
 - Third Party Administrator (RFP in 2015)
 - Pharmacy Benefit Manager (Completed in 2013)
 - Vision Plan (Completed in 2013)
 - Voluntary Dental Plan (RFP in 2014)

- II. Cost Containment Strategies and Analysis for Active Employees (Yearly Recommendation Set)**
 - Medicare Supplement – Plan F or Extend Health options (2013)
 - Reinsurance Purchase for Specific and Aggregate Coverage (Yearly Evaluation)
 - Affordable Care Act deadlines and explanation of the legislation

- III. Employee Training for Current and New HCPC Members**
 - Explore current health trends and programs with committee
 - Plan and conduct meetings scheduled by the labor and management co-chairs
 - Train new members about existing plan and services including understanding of terms

- IV. Retiree Medical Insurance Analysis (Recommendation Set)**
 - Retiree Contributions
 - Funding
 - Alternate Medicare Benefits for Retirees
 - Medicare Law Revisions (including Medicare Part D)

The RFQ was released in mid-February with a closing date of March 11th. Advertisement was made in the local newspaper and sent directly to vendors. The Quality Subcommittee received eight responses:

Health Consultant Proposal Cost

Fees	Gallagher Benefit Services	Holmes - Murphy	Lohman Companies	Willis Group of Illinois	Benefit Staff	Health Research Institute	JW Terrill Consulting	Cottingham and Butler Consulting
I. Insurance Benefit Plan Vendor Fee	N/A	N/A	\$40,000	N/A	N/A	N/A	N/A	N/A
II. Cost Containment Fee	\$3,000	\$0	\$0	\$15,000	\$48,000	\$0	\$12,000	\$0
II. HCPC Facilitation Training Fee	\$25,000	\$16,500	\$0	\$15,000	\$0	\$20,000	\$17,400	\$45,000
IV. Retiree Medical analysis Fee	\$5,000	\$0	\$0	\$6,000	\$0	\$0	\$7,500	\$0
V. Additional Facilitator Charges	\$0	\$0	\$0	\$3,500	\$0	\$0	\$0	\$0
Total 2013	\$33,000	\$16,500	\$40,000	\$39,500	\$48,000	\$20,000	\$36,900	\$45,000
I. Insurance Benefit Plan Vendor Fee	\$4,750	\$5,000	\$40,000	\$5,600	\$0	\$0	\$5,000	\$0
II. Cost Containment Fee	\$3,000	\$0	\$0	\$15,000	\$48,000	\$0	\$12,000	\$0
II. HCPC Facilitation Training Fee	\$20,000	\$16,500	\$0	\$13,000	\$0	\$20,000	\$17,400	\$60,000
IV. Retiree Medical analysis Fee	\$5,000	\$0	\$0	\$6,000	\$0	\$0	\$7,500	\$0
V. Additional Facilitator Charges	\$0	\$0	\$0	\$3,750	\$0	\$0	\$0	\$0
Total 2014	\$32,750	\$21,500	\$40,000	\$43,350	\$48,000	\$20,000	\$41,900	\$60,000
I. Insurance Benefit Plan Vendor Fee	\$9,750	\$5,000	\$40,000	\$16,800	\$0	\$0	\$15,000	\$0
II. Cost Containment Fee	\$3,000	\$0	\$0	\$15,000	\$48,000	\$0	\$12,000	\$0
II. HCPC Facilitation Training Fee	\$18,000	\$16,500	\$0	\$12,000	\$0	\$20,000	\$17,400	\$60,000
IV. Retiree Medical analysis Fee	\$5,000	\$0	\$0	\$6,000	\$0	\$0	\$7,500	\$0
V. Additional Facilitator Charges	\$0	\$0	\$0	\$4,000	\$0	\$0	\$0	\$0
Total 2015	\$35,750	\$21,500	\$40,000	\$53,800	\$48,000	\$20,000	\$51,900	\$60,000
Total (3-year Contract)	\$101,500	\$59,500	\$120,000	\$136,650	\$144,000	\$60,000	\$130,700	\$165,000

After reading the proposals, the Quality Subcommittee recommended four finalists to the HCPC for consideration: Gallagher Benefit Services, Holmes-Murphy (incumbent), Willis Group and Health Research Institute. The HCPC conducted finalist interviews on March 26, 2013.

The HCPC reached consensus over the selection of Holmes-Murphy (Jeff Scarpinato) for this service. Mr. Scarpinato has been the city's health consultant since 2006. Since this time, he helped the HCPC eliminate a \$478,000 deficit in the health fund, helped the HCPC establish an on-site nurse program and helped develop wellness initiatives in support of on-site nurse program. Other positives about Holmes-Murphy include: the consulting firm is local (Davenport); Mr. Scarpinato has a strong awareness of the Quad City health insurance market (including health service providers); and his pricing was quite reasonable. The group felt Mr. Scarpinato past performance merited the awarding of this service contract.

Recommendation: There are two recommendations: 1) The City Council award the health consultant contract to Holmes-Murphy (Jeff Scarpinato) in the amount of \$59,500.00. The contract will be for a three-year period (April 1, 2013 – March 31, 2016). Upon termination of the contract, the parties have the option to renew the contract for two additional one-year periods beginning April 1, 2016. 2) The City Council will permit the City Manager to sign the attached contract with Holmes-Murphy.

Account: 626-157141-53112-0000000

Fund: Employee Health Plan

Division: Insurance

Cost Center: Health Insurance

Object Class: Consultant Services

Submitted by: John Thorson, Human Resources Director

Approved by: Thomas Thomas, City Manager

City of Rock Island

Renewal Addendum to Standard Contract

Thank you for recommending an extension of the Holmes Murphy & Associates agreement to serve as The City of Rock Island's Health Benefit Consultant. This addendum extends the current Contract scheduled to end March 31, 2013 with an updated expiration date of March 31, 2016, once approved by the City Council. Holmes Murphy understands that the agreement may extend annually beyond 2016 for two additional years.

As the Vice President of the Holmes Murphy Quad City Office, I agree to continue to provide the services outlined in the Health Benefit Consultant Proposal as submitted on March 11, 2013. Recognizing the long-term partnership between Holmes Murphy and the City of Rock Island, we agree to maintain the original fee agreement as it was proposed and accepted in 2006. The fees are as follows:

Annual Consulting Fee: **\$ 16,500**
RFP Fee: **\$ 5,000**

Holmes Murphy will continue to invoice its fee on a monthly basis (\$1,375 per month). RFP fees are billed 50% upon execution of the RFP process and 50% upon completion of RFP.

The City of Rock Island recognizes and acknowledges that any fees paid to Holmes Murphy for the performance of services described within the proposal are in addition to and are exclusive of any premiums paid by The City of Rock Island for benefits and/or insurance coverage procured by Holmes Murphy on behalf of The City of Rock Island.

Holmes Murphy or The City of Rock Island may terminate this agreement by giving written notice to the other at any time with 60 days notice.

If you are in agreement with the above addendum, please acknowledge by signing below and returning to me.

Sincerely,

Jeffrey A. Scarpinato, Vice President
Holmes Murphy, Quad City Office

Accepted by: _____
City of Rock Island Official
Printed Name

City of Rock Island Official Signature

Date: _____

Jeffrey A. Scarpinato
Holmes Murphy Official
Printed Name

Jeffrey A. Scarpinato
Holmes Murphy Official Signature

Date: March 26, 2013