



Board Report

File #: 2021-0673, File Type: Contract

Agenda Number: 13.

FINANCE, BUDGET AND AUDIT COMMITTEE NOVEMBER 17, 2021

SUBJECT: HEALTH BENEFITS CONSULTING SERVICES

ACTION: APPROVE CONTRACT AWARD

RECOMMENDATION

AUTHORIZE the Chief Executive Officer to award a seven-year, firm fixed price Contract No. PS41236000, to The Unisource Group, Inc. to provide employee health benefits consulting and actuarial services in the amount of \$781,000 for the three-year base period, \$265,950 for option year one, \$240,600 for option year two, \$265,950 for option year three and \$240,600 for option year four, for a combined amount of \$1,794,100, effective February 1, 2022, subject to resolution of protest(s), if any.

ISSUE

The existing contract for Health Benefits Consulting Services will expire on January 31, 2022. To ensure continuity of services a new contract is required effective February 1, 2022.

BACKGROUND

Our health insurance plans are part of the total compensation package that helps attract and retain qualified employees and provide existing employees a foundation to maintain or improve health. Metro utilizes the services of a Benefits Consultant to ensure we receive the best value for the benefit dollars spent.

DISCUSSION

The health benefits consulting firm will provide additional expertise to help Metro conduct program assessment and benchmarking, develop strategy and plan design, provide financial and actuarial modeling, assist with carrier selection and negotiation, monitor program performance, develop employee communications, and assist with further development of wellness program opportunities. The consulting firm provides broad industry experience and deep subject matter expertise. The Unisource Group, Inc. and its sub consultant, Alliant Employee Benefits, have an extensive client base that gives them keen insight into the costs of benefits and emerging strategies that work for public sector employers.

Metro administers group health insurance plans for Public Transportation Services Corporation (PTSC) and Los Angeles County Metropolitan Transportation Authority (LACMTA) employees and retirees. In addition, Metro administers the group insurance health plans for the Amalgamated Transportation Union (ATU) Health and Welfare Fund.

The firm-fixed price of this proposed contract with The Unisource Group is \$575,900 less than the prior 7-year contract.

The cost to cover benefits for these groups is \$61.77 million in the FY22 budget. Additionally, the collective bargaining agreement requires contributions to the MTA-ATU Health Benefit funds is estimated to be \$78.99 million in the FY22 budget.

Over the course of the existing contract, the former benefits consultant negotiated savings of \$11.7 million compared to the \$2.37 million total cost of their seven-year contract. We anticipate the selected firm will be equally capable of achieving significant savings on benefit premiums.

Governmental Accounting Standards Board (GASB) requires an actuarial valuation to calculate Metro's expense for retiree medical, dental, and life insurance benefits.

DETERMINATION OF SAFETY IMPACT

Approval of this item will not impact the safety of Metro's patrons but could influence the health condition of employees through their access of high-quality, affordable healthcare.

FINANCIAL IMPACT

Funding of \$234,000 for benefits consulting services is included in the FY22 budget in cost center 5211 (Pension & Benefits) under projects 100001 and 100003. Since this is a multi-year contract, the Cost Center Manager and Chief, Human Capital & Development Officer will be responsible for budgeting the cost in future years, including any options exercised.

Impact to Budget

The source of funds for this contract is General Overhead and PTSC Overhead funds comprised of Federal, State, and local funds. These funds are eligible for bus and rail operating costs.

EQUITY PLATFORM

The RFP was released to SBE's and the selected firm, The Unisource Group, Inc., is a registered SBE with Metro and has experience as a DBE subconsultant under a prior benefits consulting prime contractor. Metro's group health insurance plans as referenced in this board report are part of a total compensation package offered by Metro. Currently, 95.4% of employees in the Non-Contract and AFSCME classifications enroll in health benefits, with the remaining 4.6% choosing to waive coverage by providing proof they are covered under another plan. There are no equity impacts anticipated as a result of this proposed action.

IMPLEMENTATION OF STRATEGIC PLAN GOALS

The recommendation supports strategic plan goal #5 “provide responsive, accountable and trustworthy governance within the LA Metro organization.” The responsible administration of Metro’s group health insurance plans is strongly enhanced by the services and expertise of a Benefits Consulting firm.

ALTERNATIVES CONSIDERED

An alternative considered was to complete all benefits marketing and negotiations with in-house staff. This is not recommended, as we would lose access to the consultant’s depth of experience with the ever-changing marketplace for insured benefits. The consulting firm completes hundreds of renewals each year, giving them access to the insurers' most comprehensive plan designs and favorable rates.

NEXT STEPS

Upon Board approval, staff will execute Contract No. PS41236000 with The Unisource Group, Inc. effective February 1, 2022, to provide health benefits consulting services.

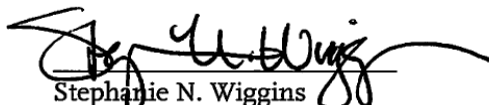
ATTACHMENTS

Attachment A - Procurement Summary

Attachment B - DEOD Summary

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