

PORT OF SEATTLE
MEMORANDUM

COMMISSION AGENDA
ACTION ITEM

Item No. 6c
Date of Meeting February 25, 2014

DATE: February 18, 2014
TO: Tay Yoshitani, Chief Executive Officer
FROM: Tammy Woodard, Assistant HRD Director – Total Rewards
SUBJECT: Authorization to Advertise and Execute a Service Agreement for a Benefits Consultant

Amount of This Request: \$1,700,000 **Source of Funds:** General Fund
Est. Jobs Created: Approximately 2

ACTION REQUESTED

Request Commission authorization for the Chief Executive Officer to advertise and execute a service agreement for benefits consulting and brokering services. This service agreement will be procured via the Port's competitive selection process. The maximum duration of the agreement will be five years (2015 through 2019) and the anticipated value of the agreement is not to exceed \$1,700,000.

SYNOPSIS

The Port utilizes the services of a consulting firm to provide brokering services on the fully insured portions of the benefits package. These include life and disability insurance as well as the Port's Group Health HMO medical coverage option and stop loss coverage for the self-insured medical plans. The consulting firm also provides consulting services on the Port's self-insured medical and dental plans that include cost modeling, plan design alternatives, consulting on aligning with the Healthcare Strategy and Total Rewards Philosophy, advice on industry trends, compliance with changing benefits regulations, and communicating benefits to employees. These same consulting services are provided for the fully insured plans when needed.

The current benefits consulting service agreement will expire at the end of 2014 and Port staff plans to have a new agreement in place by the end of September. This will provide for sufficient time to wrap up preparation for the 2015 plan year with the current benefits consultant and work with the new consultant to ensure an understanding of the Port's benefits plans and programs by the end of the year.

COMMISSION AGENDA

Tay Yoshitani, Chief Executive Officer

February 18, 2014

Page 2 of 3

BACKGROUND

The Port began self-insuring the Port sponsored medical and dental plans in 2011. This created a need for additional, and different, benefits consulting services than had been used with the fully insured plans. With self-insured plans, consultants assist the Port in determining rates for the plans, costing alternative plan designs, sourcing stop loss coverage, filing required reports with the state, and other activities related to managing and administering the self-insured health plans. The benefits consultant also plays a key role in assisting the Port when we need to go through a procurement to select the claims administrators for the self-insured medical and dental plans. The consultants have special tools available to them that are needed to evaluate the cost of each proposal. It is also an industry standard for benefits consultants to evaluate claims administrator proposals and assist their clients in evaluating them so the benefits consultant provides a very useful service to the Port when we must conduct these procurements. The self-insured health plans are available to non-represented employees as well as represented employees whose collective bargaining agreements specify that medical and dental coverage will be provided by the Port sponsored plans.

The benefits consultant also continues to assist the Port in managing and administering fully insured plans, including life and disability plans, the Group Health medical plan option and the stop loss coverage associated with the self-insured medical plans by serving as a broker. As a broker the consultant requests renewal rates, negotiates lower rates on behalf of the Port, administers selection processes when the Port desires a more competitive process to select a vendor, and assists the Port in making changes to the insured plans if needed for better alignment with the Total Rewards Philosophy. Similar to the self-insured plans, non-represented employees are covered by the plans that the benefits consultant brokers for the Port, as are represented employees whose collective bargaining agreements specify that their life and disability insurance are provided by the Port sponsored plans.

ALTERNATIVES AND IMPLICATIONS CONSIDERED

Alternative 1) – Do not utilize the services of a benefits consultant.

Port staff do not have the expertise required to ensure compliance with changing regulations nor does Port staff have the knowledge, skills or tools available to perform the cost modeling required to effectively manage the Port's benefit plans. With this alternative there is real risk that plans could fall out of compliance with changing regulations and that costs would be significantly under, or over, estimated for both the Port and employees.

This is not the recommended alternative.

Alternative 2) – Extend the current contract for one more year.

This alternative has some merit in that the current consultant would be permitted to stay on board for an additional year, or possibly more. The current consultant assisted the Port in developing the Healthcare Strategy and new High Deductible Health Plan, both introduced during the second half of 2013, and therefore is very familiar with the Port and the philosophies and strategies that

COMMISSION AGENDA

Tay Yoshitani, Chief Executive Officer

February 18, 2014

Page 3 of 3

guide management of our benefit plans. This familiarity could facilitate more thorough and accurate analysis of the first year of the new medical plan and how closely the plan achieved desired goals as there will be insufficient data to evaluate the entire first year of the plan until mid to late first quarter 2015. The disadvantage of this approach is the delayed opportunity for potentially contracting with a new consultant with enhanced ability to support the Port's plans or at rates more favorable to the Port.

This is not the recommended alternative.

Alternative 3) – Issue a request for proposal, select a benefits consultant through the competitive selection process, and negotiate a new service agreement with the selected consultant.

This is the recommended alternative.

ATTACHMENTS TO THIS REQUEST

- Resolution No. 3636, Self-Funding Resolution.

PREVIOUS COMMISSION ACTIONS OR BRIEFINGS

- None.