



**COMMISSION
AGENDA MEMORANDUM**

Item No. 8c

ACTION ITEM

Date of Meeting April 13, 2021

DATE : April 5, 2021

TO: Stephen P. Metruck, Executive Director

FROM: Tammy Woodard, HR Director – Total Rewards
Sandra Spellmeyer, Total Rewards Manager

SUBJECT: Contract to Provide Benefits Consulting Services to the Port’s Employee Benefits Program

Amount of this request: \$4,600,000

ACTION REQUESTED

Request Commission authorization for the Executive Director to advertise, award and execute a contract with a benefits consultant to provide consulting services that include benefits insurance broker services and health plan actuarial services to the Port of Seattle’s employee benefits program for up to 10 years at an amount not-to-exceed \$4,600,000.

EXECUTIVE SUMMARY

The Port utilizes the services of a benefits consulting firm to provide guidance and advice to the strategic direction and administration to the Port-sponsored employee benefits package. These services include assistance with strategic planning for the benefits package, as well as assistance ensuring benefits plans within the benefits package align with the Port’s Healthcare Strategy and Total Rewards Philosophy. The consultant also supports the Port in establishing specific health plan designs for our medical, dental and vision plans, and they provide actuarial services that include modeling and forecasting costs for the Port’s self-insured medical and dental plans. The consultant also provides valuable advice and guidance on industry trends, emerging products or plan designs, frequently changing regulatory requirements and guidance in interpreting new regulatory requirements.

The benefits consultant also acts as the Port’s broker for all fully insured plans within the employee benefits package. These currently include the Health Maintenance Organization (HMO) medical option, the vision plans, life and disability insurance, as well as stop loss coverage for the self-insured medical plans.

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The current benefits consulting service agreement will expire at the end of 2021 and Port staff plans to have a new agreement in place by the end of September to provide sufficient time to ensure a new consultant will have a good understanding of the Port's benefits plans and programs to facilitate a smooth transition at the end of the year.

JUSTIFICATION

Contracting with a benefits consultant supports the Port's goal of being a highly effective public agency by helping to ensure the Port can retain and attract skilled employees with a competitive and compliant employee benefits package. Further, the benefits consultant fulfills the requirement for an insurance broker to identify high value insurance programs for the fully insured benefits within the overall Port-sponsored benefits package.

Diversity in Contracting

Due to the contract scope requirements, no subcontracting WMBE aspirational goal will be administered. However, the project team along with Diversity in Contracting department is outreaching to WMBE firms to notify them of this opportunity.

DETAILS

The selected benefits consultant will meet regularly with Port staff to provide various work products. The consultant will also support the Port's decision-making by ensuring all necessary and relevant considerations are brought into the employee benefits program management process.

Scope of Work

The work will include:

- (1) Strategy development sessions to ensure the Port is working toward strategic goals for the overall benefits program.
- (2) Quarterly meetings with the Port to review financial performance of the self-insured health plans against budget.
- (3) Annual meetings to discuss plan design options for the coming year and costs of the different options before finalizing any plan design changes and costs for the coming year.
- (4) Support for procurements necessary to maintain the Port's self-insured benefits plans as needed through the duration of the contract.
- (5) Non-discrimination testing, for plans that require testing, to ensure compliance with relevant regulations.
- (6) Marketing our insured benefits to ensure the Port is receiving the best value benefits.
- (7) Ad hoc projects related to the Port's employee benefits package for non-represented employees that might include projects like reviewing the wellness program for opportunities to enhance it, leave benefits, adding supplemental benefits to round out the overall benefits program, surveying employees on total rewards related topics,

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developing communications materials to support understanding of benefits programs, or support for implementing new benefit options.

ALTERNATIVES AND IMPLICATIONS CONSIDERED

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

Cost Implications: We conservatively estimate the cost of this option, including pay and benefits for 2 FTEs with the broad skill set and experience of a consultant and the broker to be secure needed insured benefits at approximately \$4.5 million for 10 years. Additionally, we would still need to hire consultants for projects requiring highly skilled and experienced individuals with access to developed testing and analysis software. These costs could average \$150,000 per year or an additional \$1.5 million over 10 years for a total of \$6 million over 10 years.

Pros:

- (1) We could utilize in-house staff rather than consultants.

Cons:

- (1) The cost would be higher than the requested option.
- (2) Much more staff time would be required to conduct multiple procurements when in-house staff doesn't have the skills, abilities or access to developed testing and analysis software.

This is not the recommended alternative.

Alternative 2 – Separate the components of the Benefits Consultant contract into multiple parts and contract individually for separate consultants to perform the fully insured plan broker work, the actuarial work, and plan design and strategic planning work, and potentially some of the specific expected project work. This alternative would likely add at least 20% to the overall cost of the project. Each individual vendor would need to do extra work to understand how their specific portion of the entire body of work fits with the work other vendors are performing to ensure success of the total body of work. Without this extra work overall success of all portions of the work will be at risk. This would also add time to the work, as Port staff and related vendors would need to spend much more time planning for each portion of their work than a single consultant can perform seamlessly for the Port, often with minimal preparation time.

Cost Implications: Estimated at least \$5.5 million.

Pros:

- (1) An opportunity for more vendors to perform work for the Port, there is a likelihood that we would have the same vendors proposing on all phases of the project.

Cons:

- (1) More expensive; consultants regularly quote lower fees for more holistic projects where they will not spend as much time with Port staff preparing them to hand off work to another vendor or learning from Port staff about the work they are taking over from another vendor.

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- (2) More staff time to manage the overall benefits program, engage with consultants, and work on multiple procurements.
- (3) Lack of a cohesive approach to external consultants could result in a more piecemeal approach to managing the Port’s multi-million benefits program, which could lead to a less integrated program that is not as well coordinated managed.

This is not the recommended alternative.

Alternative 3 – Conduct a competitive selection procurement and contract with a Benefits Consultant for up to ten years to provide consulting services, actuarial services (including plan design costing alternatives) and broker services for the fully insured components of the Port sponsored benefits package.

Cost Implications: The estimated cost of a ten-year contract is not more than \$4.6 million.

Pros:

- (1) Contracting with a single consultant will permit the Port to work with one consultant in a well-integrated and cohesive way to ensure we are taking a holistic look at the Port’s benefits package, how it compares to market and how it aligns with both the Healthcare Strategy and the Total Rewards Philosophy.
- (2) This option is the most cost-effective way to obtain these necessary and beneficial services for the Port.
- (3) This option provides the best value for the Port in obtaining these necessary and beneficial services by having one vendor that has access to health plan cost modeling and other financial analysis tools, as well as access to specialized employee benefits legal and market information provide the services.

Cons:

- (1) The contracting opportunity will be limited to one vendor.

This is the recommended alternative.

FINANCIAL IMPLICATIONS

The estimated cost of this contract over 10 years is up to \$4.6 million.

Annual Budget Status and Source of Funds

The annual cost for this contract is included in the Port’s benefits budget for non-represented employees.

ATTACHMENTS TO THIS REQUEST

None

PREVIOUS COMMISSION ACTIONS OR BRIEFINGS

None