

ITEM #: 29  
DATE: 06-27-23  
DEPT: HR

**COUNCIL ACTION FORM**

**SUBJECT: HEALTH BENEFITS BROKERAGE, CONSULTING, AND ACTUARIAL VALUATION SERVICES**

**BACKGROUND:**

The City provides health benefits to full-time and regular part-time employees including medical insurance, dental insurance, life and accidental death/dismemberment (AD&D) insurance, disability insurance, prescription drug coverage, flex spending, an employee wellness plan, and optional vision coverage. These services are provided by a variety of vendors and underwriters.

The City's health insurance plans are "non-grandfathered medical plans" under the Patient Protection and Affordable Care Act (ACA). As permitted by the ACA, a non-grandfathered medical plan can make changes to certain aspects of the plan, including employee contributions, as long as they meet the minimum requirements under ACA regulations.

The ACA regulations continues to increase and change compliance requirements, and the complexity of analyzing and valuing proposed plan changes is not something City staff has full expertise to determine best practices without the assistance of contracted, qualified professionals. Additionally, brokerage services can secure best-in-class offers for insurance coverage and other benefits.

On March 9, 2023, the City solicited Request for Proposals (RFPs) for health benefits brokerage, consulting and actuarial valuation services for our self-funded health plan. Requested services included:

- Benefit consulting and brokerage for self-funded employer-sponsored plans, including evaluation of non-grandfathered health insurance status, plan design, forecasting health claim costs, rate setting, annual comprehensive Pharmacy Benefit Manager (PBM) auditing, one-time PBM Request for Proposal (RFP), Life and Long-Term Disability (LTD) insurance coverage, and compliance with regulations
- Actuarial valuation and financial disclosures required to comply with governmental accounting standards related to other post-employment benefits (OPEB)
- Actuarial valuation and recommendation for self-insured calculation for Patient Centered Outcomes Research Institute Fee (PCORI)

- Actuarial valuation and reporting required for the State of Iowa 509A Certificate of Compliance for self-funded health plans sponsored by a public employer
- Brokerage of all employee benefit insurance offerings

Responses were received from six firms. An evaluation committee composed of City staff from Human Resources, Police, Finance, and the City Manager’s Office evaluated each proposal based on cost of services, the consulting firm’s qualifications, benefit consulting expertise, PBM analysis and auditing of services based on vendor contract, certified actuarial personnel & resources, similar services provided for other governmental entities of similar size with self-insured health benefit plan models and the ability to benchmark those plans, references, and the availability of the team to meet our timeline. The preliminary ranking and costs are listed below:

Consulting Firm	Average Score	Rank	Fee Proposal for 5 Year Term
Gallagher Benefit Services, Inc., West Des Moines, IA	435	1	\$285,000
Holmes Murphy & Associates, Urbandale, IA	<del>2600</del>	<del>2</del>	<del>\$323,000</del>
The Segal Company, Chicago, IL	369	3	\$323,000
Cottingham & Butler, Dubuque, IA	354	4	\$304,000
Knapp Tedesco/Assured Partners, Ames, IA	295	5	\$281,250
Mercer Health & Benefits, LLC, New York, NY	98	6	Non-Responsive **

\*\* did not provide pricing for services with proposal

The top three consulting teams were invited for interviews. Based on a unanimous decision by the evaluation team following the interviews, responses to follow up questions, and the determination of the best value to the City, the final three firms were ranked as follows:

Firm	Average Score	Rank	Fee Proposal for 5 Year Term
Gallagher Benefit Services, Inc., West Des Moines, IA	791	1	\$285,000
Holmes Murphy & Associates, Urbandale, IA	624	2	\$320,000
The Segal Company, Chicago, IL	611	3	\$323,000

Gallagher Benefit Services, Inc. (Gallagher) has significant experience successfully providing the services the City is requesting, and has experience providing those services for local governments. Gallagher was also the only vendor that provides in-house actuarial services, which provides an advantage since the actuarial data gathered for valuation can also be used for other health benefit analysis.

The first-year (FY 2023/24) cost for Gallagher’s services is \$54,000. The FY 2023/24 Budget includes \$43,500 for health benefit consulting/brokerage/compliance/auditing and

actuarial valuation services. Since benefits brokerage services were not considered when the FY 2023/24 Budget was developed, the \$10,500 shortfall will be covered by the available fund balance and will be included in a future FY 2023/24 budget amendment. The Health Insurance Fund has a substantial balance that can accommodate this shortfall, and staff anticipates significant savings compared to budgeted amounts with an upcoming Pharmacy Benefits Manager transition in the second half of this fiscal year. Future year costs of the contract will then be included as part of the regular budgeting process and financial planning for the fund.

**ALTERNATIVES:**

1. Approve a contract with Gallagher Benefit Services, Inc. for benefits brokerage, consulting and actuarial valuation services beginning July 1, 2023 to June 30, 2024, at a cost not to exceed \$54,000, with the option to renew for four additional one-year periods.
2. Direct staff to negotiate a contract for consulting services with one of the other firms that submitted a proposal to the City.
3. Do not award a contract for the Benefits Brokerage, Consulting and Actuarial Valuation Services Contract.

**CITY MANAGER'S RECOMMENDED ACTION:**

Gallagher has an extensive record of providing benefits brokerage, consulting and actuarial services to city government and public organizations throughout Iowa. Utilizing Gallagher's services will strengthen administration of City self-funded health benefits by providing actuarial analysis, evaluating, and supporting compliance, and analyzing cost saving approaches. Awarding this contract will provide the best value to the City by providing independent professional assistance in administering the health insurance benefits. Therefore, it is the recommendation of the City Manager that the City Council adopt Alternative No. 1 as described above.