

Financial Services
Richard H. Hinds, Chief Financial Officer

**SUBJECT: REQUEST FOR AUTHORIZATION TO AWARD REQUEST
FOR PROPOSALS (RFP) #051-MM10, SELECTED THIRD
PARTY ADMINISTRATION FOR EMPLOYEE BENEFITS**

**COMMITTEE: INNOVATION, EFFICIENCY & GOVERNMENTAL
RELATIONS**

**LINK TO STRATEGIC
FRAMEWORK: FINANCIAL EFFICIENCY/STABILITY**

At the Board meeting of May 16, 2012, the Board authorized the Superintendent to issue Request For Proposals (RFP) #051-MM10, Selected Third Party Administration of Employee Benefits. The existing contract with Fringe Benefits Management Company expires January 1, 2013.

In total, three proposals were received in response to RFP# 051-MM10 at the regularly scheduled bid opening on June 28, 2012. Two proposers, FBMC Benefits Management, Inc. (FBMC), Tallahassee, Florida, and Total Administrative Services Corporation (TASC), Madison, Wisconsin, provided proposals for all services sought in the RFP, including insurance brokerage services for spring benefits enrollment. One proposer, Aon Consulting, Inc./Univers Workplace Solutions, Miami, Florida, provided a proposal on only the brokerage services.

Pursuant to School Board Policy 6332 - Professional Service Contracts for Insurance or Risk Management Programs—Policy, the Superintendent's Ad-Hoc Committee met to review received proposals on August 30, 2012. At that time, the committee reviewed and compared the proposals received from FBMC and TASC with respect to administrative services. The committee also reviewed and compared all three proposals with respect to the brokerage services component.

The first review compared the proposals received from FBMC and TASC. Ms. Kathy Gordon of Siver Insurance Consultants, Inc. (Siver), the District's independent risk and insurance management consultant, presented information to the committee indicating that the minimum qualifications stated in the RFP were met by both proposers except for the minimum qualification requiring the following as stated in RFP# 051-MM10, SECTION I – Page 2, MINIMUM QUALIFICATIONS:

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In order to be considered, a proposer must, on the Proposal Return Date for receipt of proposals by the Board for this RFP, meet the following minimum criteria: If proposing to provide administrative services (A-F):

- *Must provide a copy of the current State of Florida licensure as a Third Party Administrator.*

FBMC's proposal contained a copy of their State of Florida Third Party Administration license. TASC did not provide a copy of a license and stated in their proposal:

TASC is a licensed TPA in the State of WI as our operations are fully based in the State. Please see Exhibit I TASC TPA License.

The District's Consultant informed the committee that when it was discovered that TASC had not provided a Florida TPA license, TASC was contacted and TASC responded that no requirement existed that they hold a Florida TPA license.

Since there was a minimum qualification in the RFP that was not met by TASC, the committee voted unanimously to discontinue further review of the TASC proposal since they had not met the required minimum qualifications of holding a Florida TPA license. As was addressed during the committee meeting, any potential proposer had the opportunity to state their objections to the RFP, including minimum qualifications, as outlined in the RFP (SECTION II – Page 3 WRITTEN QUESTIONS/CLARIFICATIONS). No objections to the specifications in the RFP were filed within the allotted timeframe.

The committee continued to review the FBMC proposal for administrative services, then reviewed the three proposals for insurance brokerage services for certain existing voluntary insurance coverage (Universal Life, Critical Illness/Cancer and Long Term Care Insurance) offered to employees at their own cost. Commission rates for existing products were very similar in all three received proposals; however, the proposal from FBMC stated that the insurance brokerage services (Section G) were not severable from the administrative services contained in Sections A, B, C and E. As such, the committee voted unanimously to accept the proposals submitted by FBMC, but instructed Mr. Scott B. Clark, Risk and Benefits Officer and Ms. Kathy Gordon, Siver, to enter into negotiations with FBMC in an effort to obtain rate reductions and report back to the committee with the results of such negotiations.

The results of such negotiations were provided to the committee members who unanimously supported the recommendations to award the entire contract to FBMC. Following is the rate structure for service categories A-F:

Initial Proposed Rate 1/1/2013-12/31/2015	Negotiated Final Rate 1/1/2013-12/31/2015	Savings Over Current Rate
\$4.41 PEPM*	\$4.15 PEPM*	\$0.29/6.5%

*Per Employee Per Month

Based upon 36,911 eligible employees, the proposed rate reduction will take the annual cost for calendar year 2013 from \$1,953,330 to \$1,838,168. Additionally, FBMC offered services not outlined in the RFP including dependent verification audit to be completed in 2013 and in future years.

Service category G (Insurance Brokerage Services) pricing remained unchanged from the proposal and is recommended at the following commission rates:

<u>Benefit/Service</u>	<u>Insurer</u>	<u>Proposed Commissions</u>	
		<u>1st Year</u>	<u>Renewal</u>
Universal Life	ING/Trustmark	90%/100%	5%
Critical Illness	ING/Trustmark	70%/80%	10%/11%
Cancer	Trustmark	65%	12%
Long Term Care	UNUM/US Care	N/A	10%/0%

Revenue from the sale/renewal of these products in calendar year 2011 was \$2,787,680. The RFP outlined that the District envisions these products being offered to employees for spring enrollments of 2013 and 2014 with a re-marketing of all products to take place by 2015.

The scope of services currently in place and outlined in RFP#051-MM10, incorporates work which has been modified to incorporate the SAP Payroll and Benefits "go live" from November, 2011. With these SAP modules in place, it is important that the benefits administration process be strategically evaluated and possibly re-engineered to maximize productivity and output. To that end, staff believes that the scope of work incorporated in this contract for 2013 may be significantly modified in future years as these processes are evaluated.

Therefore, to maximize the District's latitude in re-engineering benefits administration in future years, staff is recommending that the award of this contract be based on a one-year initial contract, with two additional one-year renewals, subject to future Board approval. Additionally, the District has the option to terminate services at any time.

RECOMMENDED: That The School Board of Miami-Dade County, Florida:

1. award RFP #051-MM10, Selected Third Party Administration for Employee Benefits to FBMC Benefits Management, Inc. for administrative services (A-F) at a rate of \$4.15 per employee per month effective January 1, 2013, for a one-year period, with subsequent one-year renewals for calendar years 2014 and 2015 to be approved by the Board to maximize the District's ability to modify and re-engineer its benefits administration systems; and
2. award RFP #051-MM10, Selected Third Party Administration for Employee Benefits to FBMC Benefits Management, Inc., for insurance brokerage services (G) at the following commission rates, effective January 1, 2013 for a one-year period, with commission rates for 2014 and 2015 to be brought back to the Board for approval to provide for benefits administration re-engineering and future re-marketing of the current spring enrollment products:

<u>Benefit/Service</u>	<u>Insurer</u>	<u>Commissions</u> <u>1st Year//Renewal</u>
Universal Life	ING/Trustmark	90%/100%/5%
Critical Illness	ING/Trustmark	70%/80%/11%
Cancer	Trustmark	65%/12%
Long Term Care	UNUM/US Care	N/A//10%/0%

RHH:sbc