

HR Consulting Services

**Briefing
by**

Human Resources Department



**CITY OF HOUSTON
BUDGET AND FISCAL AFFAIRS COMMITTEE
JULY 8, 2014**

OVERVIEW

BACKGROUND FACTS:

- ❖ The HR Department is proposing to contract with “expert-in-the-field” consulting firms to provide professional consulting services for the Health Benefits Fund, other funds, and for valuations required by state and federal law.
- ❖ FY15 health benefits costs are projected to be \$315 million.
- ❖ The city’s GASB-45 liability for post employment retiree benefits is more than \$2 billion.
- ❖ Projected annual Benefits consulting costs as a percent of expected Health Benefit Fund expenses in FY15 is:

FY15 PROJECTED HEALTH BENEFITS COSTS	FY15 PROJECTED CONSULTING COSTS	FY15 CONSULTING COSTS AS % OF HEALTH BENEFITS COSTS
\$315,000,000	\$518,895	0.16%

PROCUREMENT PROCESS

- ❖ Human Resources and Strategic Purchasing drafted and released the RFP for Consulting Services and a Data Warehouse.
- ❖ The RFP was released on December 13, 2013
- ❖ RFP due date was January 30, 2014
- ❖ Eleven consulting firms responded
- ❖ An evaluation committee of seven core members and an ad hoc committee consisting of six subject matter experts evaluated and rated each of the proposals.
 - Strategic Benefits Planning & Design – Division of HR Department
 - Financial Risk Management - Division of HR Department
 - Workers' Compensation and Safety - Division of HR Department
 - Strategic Purchasing - Division of Finance Department
 - Houston Information Technology Services (HITS)

PROCUREMENT PROCESS CONT'D

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Invitation to Propose:

In conjunction with publication of ads in the “Houston Chronicle” and the “Houston Business Journal,” invitations were sent to several firms requesting they submit proposals in response to the RFP:

- Aon Consulting, Inc.
- Arthur J. Gallagher & Co.
- Buck Consultants
- Chapman Schewe
- Frost HR Consulting
- Grant Thornton
- Holmes Murphy
- Mercer
- Milliman
- Segal Consulting
- Many others

PROCUREMENT PROCESS CONT'D

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Criteria for evaluation of proposals:

- ❖ The ability of the consultant to perform the detailed Scope of Services requested in the RFP
- ❖ Expertise
- ❖ Financial competitiveness
- ❖ Financial stability of the firm
- ❖ Reputation and the city's past experience with the consulting firm
- ❖ Scoring criteria
- ❖ Oral presentations
- ❖ Systems and Technical capabilities
- ❖ Commitment to the MWBE Program

WHO SUBMITTED PROPOSALS?

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Eleven consulting firms responded:

- ❖ Aon Consulting, Inc.
- ❖ Arthur J. Gallagher & Co.
- ❖ Buck Consultants
- ❖ Chapman Schewe
- ❖ Frost HR Consultants
- ❖ Holmes Murphy
- ❖ Segal Consulting
- ❖ Sigma Risk Management
- ❖ Six Degrees Health
- ❖ Starsoft Solutions
- ❖ The Hay Group

WHO WAS SELECTED & WHY?

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Based upon quoted fees, responses to an in-depth questionnaire, reputation, expertise to perform the required projects, and oral presentations the Evaluation Committee selected the following vendors:

- ❖ Aon Consulting, Inc.
- ❖ Arthur J. Gallagher & Co.
- ❖ Frost HR Consultants
- ❖ Segal Consulting

SCOPE OF PROJECTS

Projects to be performed will include:

❖ Requests for Proposals and Analyses for:

- TPA for the Healthcare Delivery System
- Medicare Plans
- Dental
- Supplemental Insurance
- Group Term Life
- TPA for Long Term Disability
- Vision
- Administrator for FSA / Dependent Care
- Short-Term Disability Plan

SCOPE OF PROJECTS CONT'D

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- ❖ **Program and vendor management for all health benefits**
- ❖ **Actuarial valuations / reviews for:**
 - All medical/pharmacy, LTD, and workers' compensation Incurred but not Reported (IBNR) claims
 - GASB-45 post retirement liability study, and recommendations for lowering this long-term liability
 - Retiree Drug Subsidy (RDS) program
- ❖ **Procedures and plan compliance audits for:**
 - Medical and prescriptions drug plans
 - Health plan performance guarantees
 - Long Term Disability
 - Flexible Spending / Dependent Care accounts
 - Member eligibility

COST OF PROJECTS

COSTS BY PROJECT TYPE

PROJECT	5-YEAR CONTRACT VALUE
RFPs	\$624,000
Actuarial Services	\$456,139
Auditing Services	\$1,203,000
Medical / Medicare / Rx Ongoing Consulting Projects	\$688,500
Miscellaneous Projects*	\$417,813
5-YEAR TOTAL	\$3,389,452

COSTS BY FUND

FUND	5-YEAR CONTRACT VALUE
Health Benefits	\$3,169,736
Long Term Disability	\$183,975
Workers' Compensation	\$35,741
5-YEAR TOTAL	\$3,389,452

Note: These projects will not affect the General fund.

* Miscellaneous projects include contingency projects, satisfaction surveys, PPACA compliance evaluation, annual review of performance guarantees, etc.

COST OF PROJECTS / MWBE PARTICIPATION

COSTS BY CONSULTANT

CONSULTANT	5-YEAR CONTRACT VALUE
Aon Consulting, Inc.	\$921,977
Frost HR Consulting	\$117,975
Arthur J. Gallagher & Co.	\$1,025,000
Segal Consulting	\$1,324,500
5-YEAR TOTAL	\$3,389,452

MWBE PARTICIPATION

CONSULTANT	MWBE VENDOR	GOAL %
Aon Consulting, Inc.	W. J. Alexander & Associates	24%
Frost HR Consulting	Foundation Strategies	24%
Arthur J. Gallagher & Co.	Lacey Newday Consulting Foundation Strategies	24%
Segal Consulting	MWBE vendor selection in process	24%

RECOMMENDATION

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Approve:

Three-year contracts, with two one-year options, for consultants to provide consulting services to maintain cost-effective and legally compliant benefits plans for City of Houston employees, retirees and their dependents. The consultants of choice are:

- ❖ Aon Consulting
- ❖ Frost HR Consulting
- ❖ Arthur J. Gallagher & Company
- ❖ Segal Consulting