

Date: February 7, 2019

To: JLMBC

From: Staff

Subject: **Benefit Service Provider Procurement Schedule and Health, Dental, and Vision Provider Contract Extensions**

JLMBC MEMBERS*Employee Organizations***David Sanders, Chairperson**

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RECOMMENDATION

That the JLMBC (a) approve proposed procurement schedule for 2019-2023 and (b) direct staff to engage Kaiser, Anthem, Delta Dental, and EyeMed on proposed terms of two-year contract extensions and report back with recommendations.

DISCUSSION**A. Background**

At its January 8, 2015, meeting, upon the recommendation of staff, the JLMBC established a "JLMBC Ad-Hoc Procurements/Contracting Subcommittee" (Ad-Hoc Subcommittee) for the purpose of developing a long-term strategy and schedule for issuing benefit service provider procurements. The JLMBC directed the Subcommittee to work with staff to: (1) consider the timing of all benefit service provider procurements relative to developing a long-term rolling schedule of provider searches; (2) consider the length of benefit service provider contracts relative to developing recommendations to the City Council regarding authority for the Personnel Department to enter into longer-term service contracts; and (3) consider other improvements to the procurement process.

The Ad-Hoc Subcommittee completed its assigned task and on February 5, 2015, the JLMBC considered the Ad-Hoc Subcommittee report. The report noted that the Employee Benefits Division administers 11 contracting relationships to provide various benefit plans, administrative and recordkeeping services, and consulting services. The report further noted procurements for benefit program services in the past had typically been initiated at the beginning of the calendar year in which the incumbent provider contract was set to expire, but that such a compressed time schedule limited process options for the City in procuring for and implementing services.

In reviewing options for improving the procurement and contracting process, staff and the Ad-Hoc Subcommittee identified the following best practice objectives:

- (1) Procurements should be initiated approximately 18 months prior to the date that a vendor will be required to perform services.
- (2) Procurements should be issued and administered on an established schedule allowing for

proper planning in the development of and dedication of resources to each procurement.

- (3) The City should have the option of procuring for longer contract terms (up to five years) than is the case generally for City personal services contracts in order to provide the City with the opportunity to contract for more favorable pricing and other terms and help manage and balance priorities in the administration of the LAwell Program.

The JLMBC (a) adopted a 2015-2019 procurement and contracting schedule for LAwell Program service provider contracts and (b) requested that the Personnel Department prepare a report to the Los Angeles City Council (City Council) recommending establishing authority within the Los Angeles Administrative Code (LAAC) for five-year LAwell Program benefit service provider contracts. On June 24, 2015, the City Council approved the recommendation of the JLMBC to provide for five-year contracts and directed the City Attorney to draft the necessary ordinance. On September 15, 2015, the City Council adopted the ordinance amending Los Angeles Administrative Code (LAAC) Division 10, Section 10.5 to provide the Personnel Department with five-year contracting authority for service providers for the LAwell Program. The ordinance became effective October 25, 2015.

B. 2019-2023 Procurement Schedule

The 2015-2019 procurement schedule adopted by the JLMBC assumed five-year contracting relationships for each of its benefit service providers. The JLMBC found that five-year contracts offer the following benefits to the City:

- Promote the quantity of diversity of proposing firms and potentially the commitments contained within service proposals, including more favorable pricing terms and a greater willingness on the part of vendors to invest resources into the plan;
- Minimize potential disruption and support service provider continuity for City employees and their dependents for services within which ongoing relationships between the user and practitioner are often a vital part of creating quality care and service;
- Support the more efficient management of staff time given the tremendous resource demands of procurements and contracting relative to other aspects of LAwell Program administration; and
- Reduce consulting costs to the degree consultants are used in the search process.

The JLMBC further noted that, notwithstanding the benefits of five-year contracts noted above, City contracts generally provide the City with the option for at-will termination in the event the City determines a compelling reason exists for accelerating a new search process. All LAwell Program contracts contain this termination option.

As part of its January 8, 2015 action, the JLMBC adopted a procurement schedule which established, on a calendar year basis, when procurements would be issued for each of the LAwell Program's various benefit programs. Certain search processes were delayed or had to be repeated. The search for the LAwell Third-Party Administrator (TPA) was delayed due to the complexity of the search and transition process. Search processes for the Employee and Family Assistance Program (EFAP) and Tax-Advantaged Spending Accounts were originally issued in 2017 but had to be reissued in 2018 because of the limited number of vendor proposals received. A new search process for Wellness Administrator

services was added following subsequent actions of the JLMBC regarding service delivery for the LIVEwell Program. Thus, the actual execution of search processes resulting in provider selections occurred as follows:

Request For Proposal (RFP) Released	Service	Contract Start Date
2015	Benefits Consulting services	1/1/2016
2016	Health, Dental, and Vision services	1/1/2017
2017	Life, Disability, Accidental Death & Dismemberment (AD&D) insurance services	1/1/2018
Mid-2017	LAWell TPA services and Wellness Administrator services	4/1/2019 and 5/1/2019
Late-2017	EFAP and Tax-Advantaged Spending Accounts services	1/1/2019

Staff has developed an updated five-year procurement schedule for 2019-2023 (**Attachment A**). As both the complexity of, and time and process requirements for, procurements and contract execution continue to expand, the procurement schedule assumes:

- (a) The development phase of a new procurement be generally launched 24 months in advance of an anticipated incumbent contract termination date.
- (b) The contract award decision be made no later than six months prior to the contract beginning date, although where practicable staff’s objective will be to obtain earlier contract award decisions.

The proposed five-year procurement schedule included in Attachment A is summarized as follows:

Initiate RFP Development	Service	Contract Start Date
2019	Benefits Consulting services	1/1/2021
2020	Health, Dental, and Vision services	1/1/2022
2021	Life, Disability, AD&D insurance services	1/1/2023
2022	LAWell TPA, EFAP, Tax-Advantaged Spending Account, and Wellness Administrator services	1/1/2024
2023	None	n/a

Procurements and contracts are an enormous administrative challenge and responsibility for the Employee Benefits Division. In the last round of procurements (which began in 2015 and concluded in 2018), staff and the JLMBC significantly expanded the process elements, transparency, and reporting of benefit service provider searches when compared to the elements, transparency, and reporting in existence prior to 2015. These elements include:

- Member surveys and focus groups for health services in advance of finalizing Requests for Proposal (RFPs)
- More robust RFPs including greater narrative descriptions of service requirements, lengthier and more complex vendor questionnaires and inquiries, and more transparent communication of scoring weights and the evaluation process
- Vendor performance exams as part of each evaluation process
- More detailed analysis and reporting, including both narrative and summary reporting from staff as well as (where required) supporting consulting analysis

These elements, which staff regards to be model and innovative process when compared to search processes both internal and external to the City, also require a significant commitment of time and resources from the limited number of professional staff in the Employee Benefits Division. Five-year contracting has provided a tremendous efficiency benefit to help manage the procurement workload and methodically plan for and execute processes even as ongoing demands of administering the LAwell Program (e.g. providing a wide array of direct service to members, implementing and administering service provider relationships, executing communications and engagement programs, evolving vendor reporting and accountability standards, and ensuring the City and LAwell Program meet their compliance obligations under applicable law and regulation) provide their own challenge of rising complexity. Staff has also received positive informal feedback from vendor participants in these procurement processes, both those awarded contracts as well as those not awarded contracts, regarding the quality, transparency, and professionalism of the JLMBC's processes.

In addition, one likely new iteration that will be included in any future **new** service provider contracts and require additional time is contract effective dates preceding the actual initiation of service delivery. This provides for greater contractual safeguards around data exchanges necessary to test, develop, and implement new service provider relationships. This model is first being applied to the Limeade contract, which will have a contractual start date of January 1, 2019 even though member services will not begin until May 1, 2019. In the future, any new service provider relationship requiring pre-launch data exchanges and testing will incorporate similar pre-service start dates.

This year only one procurement development phase is expected to launch (for consulting services in July 2019). Procurement development for health, dental, and vision services will follow six months later, in January 2020, for health, dental, and vision services.

Staff recommends that the JLMBC adopt the 2019-2023 procurement schedule.

C. Health/Dental/Vision Contracts

Contracts with the City's health (Kaiser and Anthem), dental (Delta Dental), and vision (EyeMed) providers began January 1, 2017. Initial terms for each contract were established for three years. Initial three-year terms provide an opportunity for staff and the JLMBC to consider the vendor's performance during the initial contracting period as well as refinements to the procured services for the final two years of the contract which support and enhance the City's service mission and objectives.

Each incumbent provider has partnered effectively with City staff to execute its service mission and objectives. For the remaining two years available under the LAAC five-year contracting authority, opportunities for refining the services agreement that would benefit the City include the following:

- Improving premium/rate stability (e.g. by extending or adding premium and rate guarantees)
- Refining and/or expanding performance guarantees and metrics reflective of the City's evolving means of measuring success
- Formalizing service execution that may have evolved since implementation of the contract

Staff therefore recommends that the JLMBC direct staff to engage Kaiser, Anthem, Delta Dental, and EyeMed on proposed terms of two-year contract extensions and report back with recommendations. Staff will report back at the JLMBC's March 7, 2019 meeting.

Submitted by: _____
Steven Montagna

PROCUREMENT SCHEDULE 2019-2023

SERVICE	CURRENT PROVIDERS	MAX TERM LENGTH	INCUMBENT MAX TERM CONTRACT END DATE*	INITIATE RFP DEVELOPMENT**	CONTRACT AWARD DUE DATE***	CONTRACT START DATE	CONTRACT END DATE
2019 SEARCH LAUNCH							
CONSULTING	Segal / Keenan	5	12/31/20	Jul-19	Jul-20	1/1/21	12/31/25

2020 SEARCH LAUNCH							
HEALTH	Anthem / Kaiser	5	12/31/21	Jan-20	Jul-21	1/1/22	12/31/26
DENTAL	Dental Dental	5	12/31/21	Jan-20	Jul-21	1/1/22	12/31/26
VISION	EyeMed	5	12/31/21	Jan-20	Jul-21	1/1/22	12/31/26

2021 SEARCH LAUNCH							
LIFE	The Standard	5	12/31/22	Jan-21	Jul-22	1/1/23	12/31/27
DISABILITY	The Standard	5	12/31/22	Jan-21	Jul-22	1/1/23	12/31/27
AD&D	The Standard	5	12/31/22	Jan-21	Jul-22	1/1/23	12/31/27

2022 SEARCH LAUNCH							
EFAP	Optum	5	12/31/23	Jan-22	Jul-23	1/1/24	12/30/28
TAX-ADVANTAGED SPENDING ACCTS	Wageworks	5	12/31/23	Jan-22	Jul-23	1/1/24	12/30/28
WELLNESS ADMINISTRATOR	Limeade (effective 1/19 w/service launch 5/19)	5	12/31/23	Jan-22	Jul-23	1/1/24	12/30/28
LAwell THIRD-PARTY ADMINISTRATOR	Morneau Shepell	5	3/31/24	Apr-22	Oct-23	4/1/24	3/31/29

2023 SEARCH LAUNCH							
NONE	n/a						

* The contract ending date if each provider completed a full five-year contract term as permitted under the LAAC

** Assumes a development date 24 months in advance of contract start date for all contracts except consulting (18 months)

*** Assumes contract award due date no later than six months prior to contract start date