

Memorandum 11-134 Contract Award for Insurance Benefit Broker and Consulting Services to Mercer Health Benefits

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MEMORANDUM 11-134

TO: MAYOR HORNADAY AND CITY COUNCIL
THRU: Walt Wrede, City Manager
FROM: Andrea Petersen, Personnel Director
DATE: September 20, 2011
RE: 2011 Benefit Broker / Consultant Contract Award Recommendation

A team made up of staff and Councilwoman Wythe reviewed and scored the Benefit Broker/Consultant proposals. Three proposals were reviewed and scored based on the requirements in the bid packet:
Mercer \$48,000 Spokane, WA
Park, Smith, Feek \$50,000 Anchorage, AK
Wells Fargo Insurance Services \$25,000 Anchorage, AK

It is recommended to award the proposal to Mercer, Spokane WA, for a total cost of \$48,000 since they were the most qualified and met all the requirements of the bid packet.

The City of Homer utilizes Meritain Health as its third party administrator for the employee health insurance plan, as well as, providing some benefit broker/consultant services. The benefit broker/consultant services with Meritain began in 2006 as a cost savings measure. Transitioning from the Wilson Agency to Meritain has saved the plan approximately \$9,400 annually in broker/consultant service fees; however, this has created a conflict from the City's perspective. During the contract renewal period, Meritain does not conduct RFP's with other third party administrators to ensure the City of Homer is receiving a competitive package. Although the broker/consultant fees have decreased, the administrative costs and the consultation services have not stayed competitive keeping the overall costs high.

In a world of rising costs, greater employee need and rapidly changing healthcare requirements, a benefits broker/consultant is an essential ally for the City of Homer in cost savings, time management, compliance and expertise. A benefits broker/consultant will utilize the entire insurance field of carriers to obtain the best coverage, rates, service, and quality of products. Most carrier agents will only have access to one carrier - the one they are licensed with. An independent broker/consultant will negotiate aggressively with the carriers at each marketing and subsequent renewals to keep the service charges in check. The agent for a single insurer will have less desire to do so as the agent is an employee of the insurer and his/her commissions are directly related to these fees and profit margins. Individual insurance agents would normally not have any frame of reference as to what is competitive or appropriate versus not competitive. The commissions that a broker/consultant receives are all paid by the insurance companies that the business is placed with. Since the City of Homer deals directly with an insurer, these same fees are currently just going directly to the agent from the insurance company to service the account. We are already paying for these services! However, with a benefits broker/consultant, we will also get the independent consulting services and the objective advice that a consultant would provide, for no extra cost.

Today, the City of Homer is challenged with defining cost-effective opportunities for improvement in the design, delivery and administration of the health and ancillary benefit programs. It is imperative to maintain benefits that are

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affordable in both design and cost to the individual and the City of Homer while navigating through the complexity of compliance with state and federal regulations, including health care reform. There are several other government agencies utilizing a benefit broker/consultant. This includes KPB, KPSD, CPGH, Fairbanks North Star Borough and Public Employees Local 71 to name a few. In addition, at the recent conference for Alaska's Society of Human Resource Management, Amy Limeres from Birch Horton Bittner & Cherot highly recommended self-insured plans have a benefit broker/consultant to assist with the compliance aspects of Health Care Reform, as well as the strategic planning for employee benefit programs. It would be greatly beneficial for the City of Homer to work with Mercer. This could allow the City of Homer to receive better services at a similar price in the overall costs of the employee benefits package.

RECOMMENDATION: The City Council approves Resolution 11-092.

Related Resolutions **Memorandum - Related Resolutions:** [Resolution 11-092 Contract Award for Insurance Benefit Broker and Consulting Services to Mercer Health Benefits](#)

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