

## City Council – Action Request Form

**Date:** August 10, 2020

**To:** Mayor, Mayor Pro Tempore, and Members of the City Council

**From:** Ben Rowe, Assistant City Manager

**Council Action Requested:**

Resolution Authorizing the City Manager to Enter into an Agreement with Willis Towers Watson Analytical Insurance Services, Inc. to Provide Employee Benefits Consulting Services

**Strategic Focus Area:** Service Excellence

**Strategic Objective:** Maintain City’s Financial Strength

**Strategic Plan Action Item:** No

**Key Work Item:** Yes



**Summary of Information:**

Currently, the City of Winston-Salem contracts with Willis Towers Watson Analytical Insurance Services Inc. (Willis Towers Watson) to provide consulting services for employee benefits and wellness programs that encompass (1) the development and implementation of strategies for providing and enhancing the cost effectiveness of the City’s employee and retiree health benefits programs; (2) the provision of expert knowledge related to health care policy and regulatory compliance, implementation of the provisions of health care reform legislation, and benefits/wellness program administration best practices; and (3) the development of strategies that promote healthy lifestyles for employees and retirees. Under this contract, Willis Towers Watson provides expert knowledge and consultation on a wide range of subjects regarding administration of employee benefits programs and requirements for legal compliance, data analytics for evaluating the performance of the City’s health insurance plans and the impact of changes in plans’ design on their cost effectiveness, and expert advice on the types of plans offered to City employees and the premium structures. These services have become increasingly important as the Affordable Care Act has mandated complex requirements for health and wellness plans including affordability standards, minimum plan coverage, and

**Committee Action:**

<b>Committee</b>	<u>Finance 8/10/2020</u>	<b>Action</b>	<u>Approval</u>
<b>For</b>	<u>Unanimous</u>	<b>Against</b>	<u></u>

**Remarks:**

employer reporting—all of which carry penalties for non-compliance. Additionally, Willis Towers Watson provides services required for the City to acquire vendors for a range of benefits-related needs including health plan administration, post-65 retiree health, short-term disability, and life insurance coverages. The current contract not only focuses on health care benefits consulting services but also employee well-being programs that complement preventive care strategies.

In April, the City issued a request for proposals for employee benefits consulting services, with proposals due in May. The following firms submitted proposals: Aon Consulting, Gallagher Benefit Services, Inc., Mark III Brokerage, Inc., Marsh & McLennan Agency LLC, Mercer Health and Benefits, Saponi Industries, Inc., and Willis Towers Watson.

The proposals were reviewed and evaluated by a team consisting of the following staff members: Ben Rowe, Assistant City Manager; Lisa Saunders, Chief Financial Officer; Kemberly Ewing, Deputy Human Resources Director; Angie Fisher, Assistant Financial Officer-Controller; Tameshia Branch, Senior Human Resources Analyst; and Chris Wolfe, Senior Human Resources Analyst. The evaluation team used the following criteria to evaluate the proposals. The weights for the criteria are noted in parentheses.

- **M/WBE Commitment (20%):** Proposer's efforts to comply with all the terms and conditions of the City of Winston-Salem's Minority and Women Business Enterprise (M/WBE) Program through award of subcontracts to minority and women-owned business enterprises and utilization of minority and women owned business enterprise suppliers to the fullest extent consistent with the efficient performance of this contract.
- **Location of Business (20%):** Proposer's location: (A) Presence in Winston-Salem: Proposer must have a physical office within the corporate limits of Winston-Salem. (PO Box does not qualify.) and (B) Presence in North Carolina: Proposer or at least one of the proposer's employees must have a physical office location in North Carolina, and the proposer must provide evidence that it has paid payroll taxes in North Carolina for at least one employee.
- **Relevant Experience and Qualifications of Personnel (20%):** Proposer describes relevant experience and demonstrated ability to fulfill the requirements of the proposal as listed in the scope of work and clearly describes the relevant qualifications and experience of the personnel who will be assigned to the project.
- **Cost Effectiveness/Price Value (20%):** Reasonableness/competitiveness of proposed fee and/or benefits to the City of Winston-Salem, although the evaluation team is not bound to select the firm that proposes the lowest fee or most benefits for services.
- **Quality of Proposal (20%):** Proposal meets RFP requirements and is submitted in an appropriate format, in a timely manner, and in compliance with all RFP requirements and conditions.

Based on the criteria listed above, the evaluation team selected the following firms as finalists and interviewed them as part of the final selection process: Gallagher Benefit Services, Inc., Mercer Health and Benefits, and Willis Towers Watson. The contract period provides for an initial term of one year with options to extend the agreement for two additional twelve-month periods. Based on a three-year commitment, the following table provides a comparison of the fees proposed by the firms.

	<b>Year 1</b>	<b>Year 2</b>	<b>Year 3</b>	<b>Total</b>
Gallagher Benefit Services, Inc.	\$94,500	\$94,500	\$94,500	\$283,500
Mercer Health and Benefits	\$95,000	\$95,000	\$95,000	\$285,000
Willis Towers Watson Analytical Insurance Services Inc.	\$97,500	\$97,500	\$97,500	\$292,500

Based on the evaluation of the proposals, including the finalist interviews, the evaluation team recommended that the City enter into a one-year agreement, with options to extend the agreement for two additional twelve-month periods, with the City’s current consultant, Willis Towers Watson, for employee benefits consulting services at an annual cost not to exceed \$97,500 for a potential three-year cost of \$292,500. Willis Towers Watson will subcontract 10% of the contract to Benefits Plus Consulting Group, Inc., a minority-owned business, to provide consulting on voluntary benefits.

The following are highlights of Willis Towers Watson’s accomplishments over the last three years (2018-2020):

- Renegotiated pharmacy rebates to the City, including \$431,000 in 2018 and \$913,877 in 2019.
- Developed annual budget projections for the City’s health plan with actuals within budget by less than 1% (+/-).
- Negotiated \$61,000 in annual savings for life and AD&D coverage with three-year rate guarantee.
- Negotiated 20% reduction in employee paid rates for short-term disability with three-year rate guarantee.
- Provided annual benchmarking of City’s health benefits compared to nine municipalities, Forsyth County, and the State Health Plan.
- Developed New Hire Brainshark to assist in educating new employees on the employee benefit program.
- Introduced Specialty Copay Maximization and Oncology Management Program with projected savings to the City exceeding \$400,000.

The attached resolution authorizes the City Manager to execute an agreement with Willis Towers Watson to provide employee benefits consulting services for an initial term of one year, with options to extend the agreement for two additional twelve-month periods at an annual cost of \$97,500.