

COUNCIL REPORT

M&C No.	2019-32
Report Date	May 08, 2019
Meeting Date	June 17, 2019
Service Area	Corporate Services

His Worship Mayor Don Darling and Members of Common Council

SUBJECT: RFP City of Saint John Benefit Administration

OPEN OR CLOSED SESSION

This matter is to be discussed in open session of Common Council.

AUTHORIZATION

Primary Author	Commissioner/Dept. Head	City Manager
<i>Leah Robichaud</i> <i>Stephanie Hossack</i>	<i>Neil Jacobsen</i>	<i>John Collin</i>

RECOMMENDATION

It is recommended that the City remain with the current carriers for employee benefits; Manulife Financial for Extended Health and Dental, Managed Health Care Services Inc. for Prescription Drugs and A.I.G. for Travel Insurance and Accidental Death and Dismemberment Insurance. It is also recommended that Mayor and Common Clerk be authorized to execute contracts with Manulife Financial, Managed Health Care Services Inc., Blue Cross and AIG in the form attached.

EXECUTIVE SUMMARY

A request for proposal for employee benefits was issued by Mercer Consulting on behalf of the City of Saint John in the fall 2018. Mercer was engaged to manage the process due to the specialized nature and associated costs. Staff Input was provided by a selection committee representing Human Resources, Finance and Purchasing. Submissions were received from five vendors. After review of "Best and Final submissions" it is recommended that the City Benefit Plans remain, with the existing vendors.

Updated policies have been included from the four providers based on the RFP. Included as well is a renewal of the City's Accidental Death & Dismemberment Insurance through AIG, although not as part of the RFP.

PREVIOUS RESOLUTION

July 25, 2016: Item 5.15 That as recommended by the City Manager in the submitted report M&C 2016-200: City of Saint John's Prescription Drug Plan – Contract Renewal and Individuals Large Pooling Program, the Mayor and Common Clerk be authorized to execute contracts with Managed Health Care Services Inc. (MHCSI), AIG and with Royal and Sun Alliance Insurance Company of Canada in the form attached to the M&C No. 2016-200 and dated July 25, 2016.

REPORT

The City of Saint John Benefit Plan (the Plan) is an Administrative Services Only (ASO) plan, which means the Plan is responsible for all claims and outsources the claims management to carriers for a fee. Ensuring our administrative fees and financial arrangements are competitive is essential to maintaining financial stability to the Plan. Regular review of provider options also ensures Plan members are receiving satisfactory support, including customer service, online submission options and overall claims administration effectiveness.

All respondents were measured based on Plan Requirements notably maintaining current plan design, member support and underwriting arrangements. Financial considerations including fees and guarantees, travel plan rates, pooling arrangements, deposit requirements and related interest, were also given due consideration in the final assessment.

After review and analysis of the five submissions including a "Best and Final" quote based on our current arrangement, the selection committee made a recommendation to the Benefits Steering Committee. Upon review, the Benefit Steering Committee and Selection Committee recommend continuing with the ASO arrangement as has been in place since 2010, with the new rates and minor adjustments as outlined in the Best and Final submission. Specifically, the current arrangement is with Manulife, Managed Health Care Services Inc. (MHCSI) and AIG.

Manulife Financial provides all Dental and Extended Health claims administration. Extended Health includes such benefits as physiotherapy, vision and medical supplies. Manulife Financial has quoted an improved rate for the fees with no change to our current financial arrangements or plan design.

MHCSI has partnered with Blue Cross to provide Prescription Drug claims administration. They have submitted a reduction in their fees and have added language to protect the plan against litigation related to their formulary decisions.

Travel insurance as well as our Accidental Death and Dismemberment (AD&D) insurance is provided by AIG. It should be noted that the AD&D insurance was not part of the RFP. However, the policy is up for renewal for the same period. There have been no changes to these insurance policies with AIG.

STRATEGIC ALIGNMENT

With oversight by the Benefit Steering Committee, regular review and benchmarking is conducted to ensure the City of Saint John Benefit Plan remains relevant, sustainable and competitive. The previous Request for Proposal (RFP) was carried out ten years ago to ensure the Plan had the most cost effective administration for both the Plan Members and the Plan Sponsor. This RFP provided confirmation that the City of Saint John Plan continues to be administered with the most cost effective option for fees and services. As such, this RFP process supports Council's priorities, including Fiscal Responsibility and Valued Service Delivery.

SERVICE AND FINANCIAL OUTCOMES

The City of Saint John Benefit Plan has three providers, each with their own arrangement for Administrative Fees and associated costs.

Manulife Financials fee structure includes a General Administration fee (GA), a Claims Administration fee (CA), and a Profit. These fees are based on a percentage of total claims for the Extended Health and Dental benefits Manulife provides. Manulife has quoted an overall reduction of 0.5% on the GA and CA costs with the profit percentage remaining at 0.5%.

Managed Health Care Services Inc. (MHCSI) provides the prescription drug benefits and the Stop Loss Insurance for these benefits. The fee structure with MHCSI includes Claims Administration and the pooling charge for the Stop Loss Insurance. The CA fee remained at 1.50% and the Pooling rate was reduced from 2.42% to 1.87% for twelve months. In addition, MHCSI has also agreed to update our policy language related to support in the event of litigation due to drug listing decisions. Our current policy provides no protection to the Plan against litigation; the proposal would shift this liability from the City of Saint John Plan to MHCSI.

AIG currently provides Travel Insurance for all Plan members and they have maintained our current rates, which are very competitive as evident throughout the process.

These changes to administrative rates represent a savings of approximately \$24,000 based on the claims history for 2018.

INPUT FROM OTHER SERVICE AREAS AND STAKEHOLDERS

Consultation and review has been provided by Materials Management, Finance and the City Solicitors Office.

ATTACHMENTS

Attachment A	Manulife Financial Policy (Extended Health and Dental)
Attachment B	Managed Health Care Service Inc. Policy (Prescription Drugs) including Stop Loss Coverage through Blue Cross
Attachment C	AIG Policy (Out of Province Travel Insurance)
Attachment D	AIG Policy (Accidental Death and Dismemberment Insurance)