



Board Report

File #: 2021-0673, **File Type:** Contract

Agenda Number: 13.

FINANCE, BUDGET AND AUDIT COMMITTEE NOVEMBER 17, 2021

SUBJECT: HEALTH BENEFITS CONSULTING SERVICES

ACTION: APPROVE CONTRACT AWARD

RECOMMENDATION

AUTHORIZE the Chief Executive Officer to award a seven-year, firm fixed price Contract No. PS41236000, to The Unisource Group, Inc. to provide employee health benefits consulting and actuarial services in the amount of \$781,000 for the three-year base period, \$265,950 for option year one, \$240,600 for option year two, \$265,950 for option year three and \$240,600 for option year four, for a combined amount of \$1,794,100, effective February 1, 2022, subject to resolution of protest(s), if any.

ISSUE

The existing contract for Health Benefits Consulting Services will expire on January 31, 2022. To ensure continuity of services a new contract is required effective February 1, 2022.

BACKGROUND

Our health insurance plans are part of the total compensation package that helps attract and retain qualified employees and provide existing employees a foundation to maintain or improve health. Metro utilizes the services of a Benefits Consultant to ensure we receive the best value for the benefit dollars spent.

DISCUSSION

The health benefits consulting firm will provide additional expertise to help Metro conduct program assessment and benchmarking, develop strategy and plan design, provide financial and actuarial modeling, assist with carrier selection and negotiation, monitor program performance, develop employee communications, and assist with further development of wellness program opportunities. The consulting firm provides broad industry experience and deep subject matter expertise. The Unisource Group, Inc. and its sub consultant, Alliant Employee Benefits, have an extensive client base that gives them keen insight into the costs of benefits and emerging strategies that work for public sector employers.

Metro administers group health insurance plans for Public Transportation Services Corporation (PTSC) and Los Angeles County Metropolitan Transportation Authority (LACMTA) employees and retirees. In addition, Metro administers the group insurance health plans for the Amalgamated Transportation Union (ATU) Health and Welfare Fund.

The firm-fixed price of this proposed contract with The Unisource Group is \$575,900 less than the prior 7-year contract.

The cost to cover benefits for these groups is \$61.77 million in the FY22 budget. Additionally, the collective bargaining agreement requires contributions to the MTA-ATU Health Benefit funds is estimated to be \$78.99 million in the FY22 budget.

Over the course of the existing contract, the former benefits consultant negotiated savings of \$11.7 million compared to the \$2.37 million total cost of their seven-year contract. We anticipate the selected firm will be equally capable of achieving significant savings on benefit premiums.

Governmental Accounting Standards Board (GASB) requires an actuarial valuation to calculate Metro's expense for retiree medical, dental, and life insurance benefits.

DETERMINATION OF SAFETY IMPACT

Approval of this item will not impact the safety of Metro's patrons but could influence the health condition of employees through their access of high-quality, affordable healthcare.

FINANCIAL IMPACT

Funding of \$234,000 for benefits consulting services is included in the FY22 budget in cost center 5211 (Pension & Benefits) under projects 100001 and 100003. Since this is a multi-year contract, the Cost Center Manager and Chief, Human Capital & Development Officer will be responsible for budgeting the cost in future years, including any options exercised.

Impact to Budget

The source of funds for this contract is General Overhead and PTSC Overhead funds comprised of Federal, State, and local funds. These funds are eligible for bus and rail operating costs.

EQUITY PLATFORM

The RFP was released to SBE's and the selected firm, The Unisource Group, Inc., is a registered SBE with Metro and has experience as a DBE subconsultant under a prior benefits consulting prime contractor. Metro's group health insurance plans as referenced in this board report are part of a total compensation package offered by Metro. Currently, 95.4% of employees in the Non-Contract and AFSCME classifications enroll in health benefits, with the remaining 4.6% choosing to waive coverage by providing proof they are covered under another plan. There are no equity impacts anticipated as a result of this proposed action.

IMPLEMENTATION OF STRATEGIC PLAN GOALS

The recommendation supports strategic plan goal #5 “provide responsive, accountable and trustworthy governance within the LA Metro organization.” The responsible administration of Metro’s group health insurance plans is strongly enhanced by the services and expertise of a Benefits Consulting firm.

ALTERNATIVES CONSIDERED

An alternative considered was to complete all benefits marketing and negotiations with in-house staff. This is not recommended, as we would lose access to the consultant’s depth of experience with the ever-changing marketplace for insured benefits. The consulting firm completes hundreds of renewals each year, giving them access to the insurers’ most comprehensive plan designs and favorable rates.

NEXT STEPS

Upon Board approval, staff will execute Contract No. PS41236000 with The Unisource Group, Inc. effective February 1, 2022, to provide health benefits consulting services.

ATTACHMENTS

Attachment A - Procurement Summary

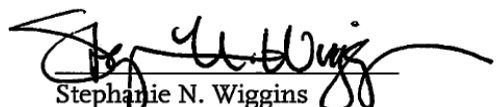
Attachment B - DEOD Summary

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Chief Executive Officer

PROCUREMENT SUMMARY

HEALTH BENEFITS CONSULTING SERVICES/PS41236000

1.	Contract Number: PS41236000	
2.	Recommended Vendor: The Unisource Group, Inc.	
3.	Type of Procurement (check one): <input type="checkbox"/> IFB <input checked="" type="checkbox"/> RFP <input type="checkbox"/> RFP-A&E <input type="checkbox"/> Non-Competitive <input type="checkbox"/> Modification <input type="checkbox"/> Task Order	
4.	Procurement Dates:	
	A. Issued: August 9, 2021	
	B. Advertised/Publicized: August 11, 2021	
	C. Pre-Proposal Conference: August 20, 2021	
	D. Proposals Due: September 9, 2021	
	E. Pre-Qualification Completed: October 12, 2021	
	F. Conflict of Interest Form Submitted to Ethics: October 5, 2021	
	G. Protest Period End Date: November 22, 2021	
5.	Solicitations Picked up/Downloaded: 17	Bids/Proposals Received: 1
6.	Contract Administrator: Steven Dominguez	Telephone Number: (213) 418-3158
7.	Project Manager: Jan Olsen	Telephone Number: (213) 922-7151

A. Procurement Background

This Board Action is to approve the award of Contract No. PS41236000 to The Unisource Group, Inc. to provide employee health benefits consulting and actuarial services. Board approval of contract award is subject to resolution of any properly submitted protest.

Request for Proposals (RFP) No. PS41236 was issued as a competitive procurement in accordance with Metro's Acquisition Policy and the contract type is a firm fixed price. The RFP was open only to Metro Certified Small Business firms.

One (1) amendment was issued during the solicitation phase of this RFP:

- Amendment No. 1, issued on August 11, 2021 revised the Pre-Proposal Conference date.

RFP No. PS41236 was released on August 9, 2021 as a competitive procurement. The solicitation was available for download from Metro's website. Advertisements were placed with the Los Angeles Daily News to notify potential proposers of this solicitation. Metro notified proposers from Metro's vendor database based on applicable North American Industry Classification System (NAICS) codes.

A virtual pre-proposal conference was held on August 20, 2021 and was attended by four participants representing four firms.

Seventeen (17) firms downloaded the RFP and were included on Metro's planholders' list. There were no questions received during the solicitation.

On September 9, 2021, one (1) proposal was received from The Unisource Group, Inc.

Metro staff canvassed all firms on the planholders' list to determine why no other proposals were received. Of the 17 firms canvassed, three firms responded. The following is a summary of the market survey:

1. Potential proposer provides insurance brokerage and employee benefits consulting services but is not a Metro certified SBE firm.
2. Potential proposer is not a Metro certified SBE firm but is interested in submitting a proposal. However, it could not find a Metro certified SBE Prime to partner with.
3. Potential proposer is a Metro Certified SBE, however, it could not find a larger, established insurance brokerage firm to team up with.

The planholders list includes four Metro certified SBE firms, five insurance brokerage firms and eight firms that provide services that are unrelated to the requested services. Of the four Metro certified SBE firms on the list, only the recommended contractor is an insurance brokerage and employee benefits consulting firm.

B. Evaluation of Proposal

A Proposal Evaluation Team (PET) consisting of staff from Management Audit Services, Maintenance and Pension and Benefits Departments was convened and conducted a comprehensive technical evaluation of the proposal received from The Unisource Group, Inc. The proposal was evaluated based on the following evaluation criteria stated in the RFP:

Phase I Evaluation – Minimum Qualification Review: This is a pass/fail criteria. The criteria focused on the proposer's experience in performing renewals for comprehensive group plans including medical, dental, life insurance, and long-term disability plans and the qualifications and experience of the proposed lead consultant.

The PET determined that the proposal received met all minimum qualification requirements and proceeded with Phase II- Technical Evaluation based on the following criteria and weights:

- | | |
|--|------------|
| • Qualification and Experience of the Firm/Team | 35 percent |
| • Qualifications and Experience of Key Personnel | 25 percent |
| • Planning Documents/Work Plan/Activity Chart | 25 percent |
| • Price | 15 percent |

The evaluation criteria are appropriate and consistent with criteria developed for similar services. Several factors were considered in developing these weights, giving the greatest importance to the qualification and experience of the firm/team.

Evaluations were conducted from September 13, 2021 through October 8, 2021. After the evaluation, the PET determined The Unisource Group, Inc. to be responsive, responsible, and qualified to perform the services based on the RFP's requirements.

The following is a summary of the PET scores:

1	Firm	Average Score	Factor Weight	Weighted Average Score	Rank
2	The Unisource Group, Inc.				
3	Qualification and Experience of the Firm/Team	84.45	35.00%	29.56	
4	Qualifications and Experience of Key Personnel	81.32	25.00%	20.33	
5	Planning Documents/Work Plan/Activity Chart	78.32	25.00%	19.58	
6	Price	100.00	15.00%	15.00	
7	Total		100.00%	84.47	1

C. Cost/Price Analysis

The recommended price has been determined to be fair and reasonable based on the independent cost estimate (ICE), cost/price analysis and technical evaluation.

Proposer Name	Proposal Amount	Metro ICE	Award Amount
The Unisource Group, Inc.	\$1,794,100	\$2,495,000	\$1,794,100

This is a firm fixed price contract that was estimated based on historical cost, plus annual escalation. The price evaluation was based on annual firm fixed costs for the seven-year term (including options). Cost/price analysis determined the recommended award amount to be fair and reasonable.

D. Background on Recommended Contractor

The recommended firm, The Unisource Group, Inc. (Unisource), located in Encino, CA, has been providing employee benefits consulting services for a broad range of employer groups since 1990. Other services provided include risk management, cost containment and funding strategies, utilization review, project management, health risk assessment, wellness program design and human resource consulting such as strategic workforce planning, job classification and compensation and job specification review. Unisource's public sector clients include the City of Long

Beach, County of Santa Barbara, University of California, California Highway Patrol, State of California and State of Montana.

For over ten (10) years, Unisource was a subcontractor to Metro, providing similar benefits consulting services and performance was satisfactory.

Unisource's subcontractor, Alliant Employee Benefits, has been providing benefit consulting services since 1971. Collectively, the Unisource team has an extensive client base and public sector experience to provide keen insights into the costs of employee benefits and emerging strategies to maintain stability in benefits programs for public sector employers.

DEOD SUMMARY

HEALTH BENEFITS CONSULTING SERVICES / PS41236000

A. Small Business Participation

Effective June 2, 2014, per Metro's Board-approved policy, competitive acquisitions with three or more Small Business Enterprise (SBE) certified firms within the specified North American Industry Classification System (NAICS) as identified for the project scope shall constitute a Small Business Set-Aside procurement. Accordingly, the Contract Administrator advanced the solicitation, including posting the solicitation on Metro's website, advertising, and notifying certified small businesses as identified by NAICS code(s) that this solicitation was open to **SBE Certified Small Businesses Only**.

The Unisource Group, Inc., an SBE Prime, is performing 56.85% of the work with its own workforce.

SMALL BUSINESS SET-ASIDE

SBE Prime Contractor		SBE % Committed
1.	The Unisource Group, Inc. (Prime)	56.85%
Total Commitment		56.85%

B. Living Wage and Service Contract Worker Retention Policy Applicability

The Living Wage and Service Contract Worker Retention Policy is not applicable to this contract.

C. Prevailing Wage Applicability

Prevailing wage is not applicable to this contract.

D. Project Labor Agreement/Construction Careers Policy

Project Labor Agreement/Construction Careers Policy is not applicable to this Contract. Project Labor Agreement/Construction Careers Policy is applicable only to construction contracts that have a construction contract value in excess of \$2.5 million.