



HUMAN RESOURCES
& DEVELOPMENT
TULARE COUNTY

AGENDA DATE: May 23, 2006

Item No.

SUBJECT: Benefits Consulting Services

REQUESTS: That the Board:

1. Approve and award a three-year agreement to Gallagher Benefit Services, Inc., to assist the County in the selection and coordination of employee benefits; and
2. Authorize the Chairman to sign the agreement pending review and approval by County Counsel.

SUMMARY: On February 28, 2006, the Board of Supervisors authorized Human Resources & Development to solicit proposals for a consultant to provide benefits consulting services for the County. Four proposals were received and the top three firms were invited to interview with County staff. As a result of those interviews, an analysis of the proposals, the quoted fees and reference checks staff recommends the retention of Gallagher Benefit Services, Inc., located in Fresno. They also have an office in Visalia where one of the team members assigned to our account will assist in serving as an advocate for the County and our employees in their dealing with our service providers.

The present consultant, Buckman Mitchell has performed the services in the existing contract with the highest degree of professionalism, integrity and with an unmatched commitment to service. Nevertheless we concluded that the Gallagher firm in Fresno will bring additional capabilities to the management of benefit programs that has not been evidenced with our present provider.

In issuing the RFP and in the interviews staff solicited proposals and examples of actions taken by each of the consultants to assist clients in mitigating the rising spiral of insurance costs. Gallagher is a national firm with a large office in Fresno and extensive Central Valley public sector experience. They offered realistic strategies for negotiating discounts on insured packages and alternative purveyors of products and selected services. Gallagher has demonstrated experience in constructing alternative delivery systems and funding mechanisms for health insurance benefits.

In evaluating the fees proposed both Gallagher and Buckman Mitchell are relatively close. The full scope of services bid by Gallagher is \$55,000 per year for three years. This includes tertiary level services which require the consultant to as liaison between benefit plan eligibles/beneficiaries/members and benefit plan administrators as required to seek resolution of claims or inquiries. Buckman Mitchell's quote including tertiary services was \$60,000 per year plus a five percent per year escalator for the second and third year. Buckman Mitchell did offer services for the full range of services excluding essentially the liaison services for \$40,000 per year plus the five percent escalator.

As our benefits budget is \$25 million these quotes are essentially the same. The reality is an

avoidance of every one percent of a benefit cost increase is equal to \$250,000. Accordingly, our recommendation is based on our expectation that Gallagher is better equipped to negotiate with providers on fee schedules based on their experience, breadth of business and available resources.

The third consultant firm we interviewed was Driver Alliant Insurance Services. Driver Alliant, the largest public agency consultant in California and the provider of public entity benefit programs for the California State Association of Counties – Excess Insurance Authority (CSAC-EIA), compares favorably with Gallagher in all the extended services. While Driver Alliant's public entity book of business within California may be larger than Gallagher's, we have no evidence they really have more negotiating leverage than does Gallagher. It should also be noted that prior to 2001 Driver Alliant had provided the County with benefit consulting services. Unfortunately, the account management team that we interviewed, which differed from the one assigned in the proposal, did not demonstrate knowledge of the local provider and health care market conditions that exist in Tulare County. Given our prior long-term relationship with Driver Alliant, we would expect the account team to be knowledgeable of some of the challenges we face locally.

In concluding this report we wish to advise that the interview panel's recommendation was unanimous. This was particularly difficult as all three of the Human Resources staff who participated in evaluating the proposals and the interview process have the highest personal and professional regard for Buckman Mitchell's representative. In the final analysis we believe that this proposed new association will provide the County with increased resources in attempting to manage a complicated and expensive part of our employee services costs.

FINANCING: The benefits administrative fee charged to those who participate in the benefit program is the source of funding.

ALTERNATIVES: Direct staff to negotiate a contract with one of the other proposers.

INVOLVEMENT OF OTHER DEPARTMENTS OR AGENCIES:

The Purchasing Department issued and received the RFP's. The County Administrative Office participated with the evaluation panel.

SIGNATURE REQUIREMENTS:

None.

ADMINISTRATIVE SIGNOFF:

Tim Huntley
Human Resources Director

Cc: C. Brian Haddix, County Administrative Officer
Kathleen Bales-Lange, County Counsel
Al Guzman, Purchasing Agent

BEFORE THE BOARD OF SUPERVISORS
COUNTY OF TULARE, STATE OF CALIFORNIA

IN THE MATTER OF)
Benefits Consulting Services) RESOLUTION NO.
) AGREEMENT NO.
)

UPON MOTION OF SUPERVISOR , SECONDED BY
SUPERVISOR , THE FOLLOWING WAS ADOPTED BY THE
BOARD OF SUPERVISORS, AT AN OFFICIAL MEETING HELD ,
BY THE FOLLOWING VOTE:

AYES:

NOES:

ABSTAIN:

ABSENT:

ATTEST: C. BRIAN HADDIX, COUNTY ADMINISTRATIVE OFFICER/
CLERK, BOARD OF SUPERVISORS

BY: _____
Deputy Clerk

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