Date: August 28, 2015
To: Joint Labor Management Benefits Committee
From: Staff
Subject: Health & Dental Plan Procurements

**RECOMMENDATION:**
That the Joint Labor-Management Benefits Committee (JLMBC):

(a) Approve moving forward with Requests for Proposal for health and dental service providers in 2015/2016 with a target implementation date for new service provider contracts to be in place by January 1, 2017;

(b) Approve staff’s proposed procurement development plan for health and dental service providers, to include:
   (i) Services/Benefits Structure Review
   (ii) Best Practice Review
   (iii) Benchmarking
   (iv) Member focus groups
   (v) Member survey
   (vi) Program Communications to Members

(c) Approve moving forward with the proposed tentative calendar for procurement development; and

(d) Approve proposed Pledge Form Regarding Conflict of Interest, Confidentiality and Proposer Communications and its execution by all JLMBC members/City staff involved in the development process for this procurement.

**DISCUSSION:**

I. Background

In January 2015, the JLMBC adopted a Master Procurements and Contracting Schedule for service provider procurements (Attachment A). Concurrently, the JLMBC adopted recommendations from its Ad-Hoc Procurements/Contracting Subcommittee to generally establish its procurements schedule around five-year contracting terms, and to request City Council authority for entering into five-year contracts within the City of Los Angeles Administrative Code.
The City Council recently adopted this recommendation and instructed the City Attorney to prepare the necessary ordinance to amend the Administrative Code. At the same time, Council further acted to provide authority to extend certain incumbent contracts, as necessary, in order to conform to the Master Schedule.

The Master Schedule provides that the search period for the Health and Dental contracts will be conducted over the Fiscal Year 15/16 period, such that service provider selections may be made by mid-year 2016 in order to meet the Flex Program’s recordkeeping and communications deadlines for the 2017 Plan Year and execute new contracts by January 1, 2017.

The City presently has contracts with Kaiser Permanente, Blue Shield, and Delta Dental as service providers for its health and dental plans. The contracts for all three of these providers will expire December 31, 2016.

I. Health and Dental Procurement Search Initiation

For any contractual services relationship, the JLMBC and the Personnel Department have the option to request an extension of the contract if they reach a finding that this would be in the best interest of the membership. However, the timing of future procurements relative to the Master Schedule has already been considered and acted upon by the JLMBC and reviewed by Council. There have been no material changes since the Master Schedule was developed and reviewed by Council that would suggest deviating from the schedule. As a result, staff recommends that the JLMBC approve moving forward with health and dental service provider procurements in 2015/2016 with a target implementation date for a new service provider contract to be in place by January 1, 2017.

II. Procurement Development Plan

Staff’s objective is to ensure that each of these search processes incorporate meaningful mechanisms to evaluate service provider capabilities relative to meeting the objectives of the Flex Benefits Program and the needs of its membership. This development process includes the following essential elements:

- Development of Procurement Objectives/Criteria
- Communications with Flex Program Membership

Staff will next review each of these topics in detail.

(A) Development of Procurement Objectives/Criteria – Flex Benefits Program services, service provider relationships, plan design structures, and employee contribution arrangements have experienced significant changes in recent years. These changes include the introduction of multiple premium cost-sharing arrangements for different groups of City employees, changes to co-pays and deductibles, introduction of a narrow network HMO plan, and a change in providers for the non-staff model HMO and PPO plans.
As the JLMBC and Personnel Department contemplate the development of up to five-year contractual relationships with health and dental providers, it will be important to take into account not only the multiple ways that these services have evolved but the ways that services may continue to evolve in the future. Towards that end, in developing the procurements staff will work with the JLMBC’s consultants to develop recommendations for establishing and defining the core services and desired benefit service levels relative to the unique structure of the Flex Program and its membership. Included as part of the development process will be the following major categories of analysis:

i. **Service/Benefit Structure** – The RFP will list the City’s required services and current benefit structure and request vendor capabilities and pricing based on that design and, as in prior RFPs, may request the same information for other potential services/benefits that are not currently offered.

ii. **Best Practice Review** – This will involve best practice review of other agencies, their providers, the design of their procurements, and other information which can inform the development of these procurements.

iii. **Benchmarking** – This will involve benchmarking the City’s programs against other agencies relative to plan design, service and satisfaction levels, fees, etc.

Staff will work closely with the JLMBC’s consultants to conduct these analyses and bring them to the JLMBC for discussion over the October/November/December meetings in order to develop and refine the core elements of the RFPs.

**(B) Member Communications** – Reaching out to Flex Benefits members to solicit their input regarding these services is a crucial component of executing a successful procurement process. Flex members will provide important feedback that will inform the development process, the relative weighting of evaluation categories, and the potential for introducing new services. As a result, staff proposes that Flex members be provided opportunities to provide feedback through an assortment of interactive mechanisms, detailed as follows:

i. **Member Survey** – Staff proposes issuing a survey to all Flex members. The purpose of the survey would be two-fold: (a) obtain and assess participant feedback on a range of topics related to the services and benefits of the health and dental programs; and (b) within its introduction the survey can help to explain to members why the search process is being conducted, the objectives of the search, how it will be conducted, the principles informing the process, where to obtain further information, and ongoing ways for members to provide feedback.
ii. **Member Focus Groups** – Staff proposes conducting a series of focus groups of Flex members providing opportunities for a “deeper dive” into member feedback on current health/dental services and benefits as well as services that are not presently provided but may be of interest in the future.

iii. **Program Communications to Members** – The Employee Benefits Division is close to finalizing an electronic newsletter which it will be issuing to active employees to help promote and raise awareness of benefit programs administered by the Personnel Department, including the Flex Program. This newsletter can be used to help update employees on the health/dental procurement development process. Staff’s objective is to issue the first newsletter on or around October 1, 2015. Additional updates will be provided in subsequent newsletters as well as in ongoing postings on the Flex Program’s myflexla.com website and JLMBC Governance website (the latter is available through the Personnel Department’s home page).

### III. Procurement Development Plan/Calendar

Staff is recommending that the JLMBC approve moving forward with the following tentative calendar for health/dental RFP development:

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<th>Month(s)</th>
<th>Action</th>
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<tr>
<td>Sep-15</td>
<td>Approve staff proposals related to moving forward with the health/dental procurement development</td>
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| Oct-15       | (1) Staff/consultant review/discussion of medical and dental plan RFP development  
              | (2) Conduct focus groups of Flex Plan participants                     |
| Nov-15       | (1) Staff/consultant review/discussion of medical and dental plan RFP development  
              | (2) Finalize membership survey                                         |
| Dec-15       | (1) Staff/consultant review/discussion of medical and dental plan RFP development  
              | (2) Issue membership survey                                            |
| Jan-16       | (1) Review draft RFPs                                                 |
|              | (2) Review survey results                                              |
| Feb-16       | (1) Finalize and Release RFPs                                          |
| Mar-16       | Response Due Date                                                     |
| Apr/May-16   | Response Evaluation                                                   |
| May/Jun-16   | (1) Provider Selections                                               |
|              | (2) Report to Council re 2017 Flex Program adoption                   |
| Dec-16       | Execute contracts                                                     |

For the JLMBC’s October 2015 meeting, staff is scheduling an introductory review with the JLMBC’s consultants to provide a broad overview of the RFP development process, including a review of the service design landscape, benchmarking information and key evaluation categories.
IV. Pledge Form Regarding Conflict of Interest, Confidentiality and Proposer Communications

The Personnel Department/Employee Benefits Division conducts a large volume of procurements for the City’s Flex Benefits Program and Deferred Compensation Plan. The Division’s objectives are to ensure that procurement processes and contract decision-making are conducted strictly and solely in the best interests of participants in these programs. The Division has developed a range of what it regards as best practices relative to the conduct of procurements. These include the following:

- Information related to the scheduling, development, and initiation of procurement processes is reported during public meetings and duly agendized in accordance with the Brown Act;
- Requests for Proposal, which include all details of the Scope of Services, vendor questionnaire, evaluation criteria, and evaluation process, are provided to governing/oversight bodies at their public meetings and adopted prior to release of the RFP;
- The assistance of consultants is utilized in all procurement development processes requiring expert or technical assistance;
- Once an RFP is released, all questions and responses to the RFP are required to be in writing and those questions and their responses are published as addendums to the RFP in order to assure that all communications regarding the RFP are fully transparent and no individual prospective bidder is provided information related to the RFP that is not made available to all prospective bidders.
- The evaluation panel is comprised of technical experts in the subject matter, which may include members of staff, a consultant, and/or outside raters;
- Selections of contractors are made during public meetings and based on published materials documenting the evaluation process and its results;
- Contract negotiation and development is performed by Personnel Department staff in close cooperation with the City Attorney’s Office;
- Procurement and search processes and the results of changes are communicated to membership through the various communication venues available through the City; and
- Public meeting materials are maintained on the Personnel Department’s Employee Benefits web pages.

Each of these practices helps to fulfill the objectives of transparency, neutrality and merit-driven decision-making in procurement processes. City procurement processes are frequently of keen interest to the vendor community and may be highly competitive. To help protect the integrity and transparency of the decision-making process, staff recommends that the JLMBC adopt a Pledge Form Regarding Conflict of Interest, Confidentiality and Proposer Communications (Attachment B). Observance of the requirements within the Pledge Form embody the best practices identified above.
Relative to contacts with potential vendors, it should be noted that contacts and conversations may occur at events such as conferences or similar events and these would not be considered prohibited so long as there is no discussion around marketing the vendor’s services or the City’s procurement process. In general, however, once an RFP window has opened, it is advisable for JLMBC and staff members to avoid non-public conversations or other communications wherever possible, even if the subject matter is unrelated to an upcoming procurement, as such communications may present the appearance or suggestion of a prohibited discussion.

In the event a vendor attempts to engage a JLMBC or staff member in a conversation regarding the procured services, a sample response to a contact from a vendor or vendor representative, whether one is approached formally or informally, electronically or in person, is provided as follows:

“Thank you very much for your interest in the City’s Flex Benefits Program. Our practice is to avoid communications and meetings with potential service providers during the RFP process in order to protect the transparency and integrity of our search processes, and to avoid any appearance of special access or influence. Since the RFP process is currently underway, I will respectfully decline your invitation to meet. Information related to the City’s Plan and this RFP process is available through the City’s website at [http://per.lacity.org/jlmbc.htm](http://per.lacity.org/jlmbc.htm). Additionally, the RFP, once released, will include a point-of-contact and details for submitting questions and receiving responses in writing. All JLMBC meetings are public and provide opportunities for public comment. In addition, inquiries to the JLMBC can be directed in writing to the Employee Benefits Division Chief. Our goal is to ensure a merit-driven decision-making process that is conducted strictly and solely in the best interests of our members.”

**Conclusion**

Health and dental benefits are core service offerings for the City’s Flex Benefits Program and play a vital role in the personal benefit design of Flex Program membership. It is therefore important that the development and conduct of procurements for these services be conducted with diligence, transparency, and a clear focus on what is in the best interests of the Flex Benefits Program and its members.

Submitted by:  

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Steven Montagna
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<th>MAX TERM LENGTH</th>
<th>START DATE</th>
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<td>1/1/2016</td>
<td>12/31/2020</td>
<td>2/1/2015</td>
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| **Search Year – 2016**  |                |             |             |              |
| HEALTH                  | 5              | 1/1/2017    | 12/31/2021  | 7/1/2015     |
| DENTAL                  | 5              | 1/1/2017    | 12/31/2021  | 7/1/2015     |

| **Search Year – 2017**  |                |             |             |              |
| LIFE                    | 5              | 1/1/2018    | 12/31/2022  | 7/1/2016     |
| DISABILITY              | 5              | 1/1/2018    | 12/31/2022  | 7/1/2016     |
| AD&D                    | 5              | 1/1/2018    | 12/31/2022  | 7/1/2016     |
| FSA/DCRA                | 5              | 1/1/2018    | 12/31/2022  | 7/1/2016     |
| EAP                     | 5              | 1/1/2018    | 12/31/2022  | 7/1/2016     |

| **Search Year – 2018**  |                |             |             |              |
| NONE                    | n/a            | n/a         | n/a         | n/a          |

| **Search Year – 2019**  |                |             |             |              |
| NONE                    | n/a            | n/a         | n/a         | n/a          |
PLEDGE REGARDING CONFLICT OF INTEREST, CONFIDENTIALITY AND PROPOSER COMMUNICATIONS

Flex Benefits Program
2015/2016 Requests for Proposal for Health and Dental Services

As a participant in the evaluation and decision-making process for the above-referenced 2015/2016 procurement processes for Flex Benefits Program Health and Dental services, I hereby assert the following:

1. I recognize it is my responsibility to act in accordance with ethical standards to assure the integrity of this Request for Proposal (RFP) procurement process and to provide a fair and objective process for interested vendors by (a) making decisions in the best interests of the Flex Benefits Program and its members using only the City’s and Joint Labor-Management Benefits Committee’s (JLMBC’s) adopted policies/practices relative to procurements as well as the specific criteria set forth in the RFP, and (b) considering the designated review panel’s evaluation and recommendations of vendor proposals based on the information contained in vendor proposals, without regard to any other factor.

2. I do not presently have a financial or other interest1, nor does any member of my immediately family2, have a financial or other interest, in the outcome of this selection process.

3. I have reviewed the City Attorney’s Primer on Conflicts of Interest and agree to bring to the attention of the JLMBC and Personnel Department staff any potential conflict of interest matter, including but not limited to conflict of current or previous employment, business or personal relationships with a proposer which may prevent me from providing a fair and impartial evaluation immediately upon becoming aware of such matter so that the City can determine whether there is a disqualifying conflict of interest. For the purposes of this Pledge, a proposer includes any officer, employee, representative, agent or lobbyist of the proposer and any subcontractor/sub-consultant involved in the proposal or the provision of services under the proposed contract. I understand and agree that, should a conflict of interest be determined to exist, I will withdraw from the selection process and comply with applicable legal requirements.

4. I agree to abide by the limitations of Los Angeles Municipal Code Section 49.5.11(A) and agree that, effective upon execution of this agreement through award of contract, I will not meet or otherwise communicate privately with employees, representatives or registered lobbyists of any actual or potential proposer regarding this RFP with the purpose or result of engaging in a conversation materially related to the vendor’s securing business from the City’s Flex Benefits Program. I understand that this provision does not limit my ability to acquire information from or otherwise communicate with any actual/potential bidder

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1 The term “financial or other interest” includes but is not limited to: (1) Any direct or indirect financial interest in the specific contract or Proposer, including any income, commission or fee, share of the proceeds, prospect of a promotion or of future employment, profit, or any other form of financial reward; and (2) Any of the following interests in the Proposer’s ownership: partnership interest or other beneficial interest of five percent or more; ownership of five percent or more of the stock; employment in a managerial capacity; or membership on the board of directors or governing body.

2 The term “immediate family” includes but is not limited to those persons related by blood or marriage, such as husband, wife, father, mother, brother, sister, son, daughter, father-in-law, mother-in-law, brother-in-law, sister-in-law, son-in-law, and daughter-in-law and includes a registered domestic partner.
pursuant to procedures provided for in and the RFP; however, I will exercise prudence in all proposer communications that may affect my impartiality in the procurement process.

5. To the extent provided for in the RFP and consistent with applicable State and local law, I agree to maintain strict confidentiality of the proposal evaluation and selection proceedings and the security of all documents pertaining thereto, and not to hold discussions nor divulge/accept information on any aspect of the evaluation of proposals outside the authorized participants in the proposal evaluation process.

JLMBC/Staff Member Signature:

Signed: ___________________________________________ Date: ________

Print Name: ___________________________________________