Date: November 4, 2015
To: Joint Labor Management Benefits Committee
From: Staff
Subject: Consulting Services Request for Proposal

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

a) Review staff’s evaluation of responses submitted to the Flex Benefits Program’s Request for Proposal (RFP) for Flex Benefits Plan Administration and Communications consulting services;

b) Recommend to the General Manager Personnel Department that Segal Consulting be selected as the Flex Program’s Benefits Administration consultant; and

c) Recommend to the General Manager Personnel Department that Segal Consulting and Mercer Consulting be selected as the Flex Program’s Communications consultants.

DISCUSSION:

A. BACKGROUND

On July 1, 2015, the Personnel Department released a Request for Proposal (RFP) for Flex Benefits consulting services. Responses were due September 2, 2015. The RFP solicited proposals for consulting services in two distinct areas: Benefits Plan Administration Consulting and Communications Consulting. These categories were “unbundled” within the RFP, meaning that prospective vendors were eligible to submit proposals for either or both categories, with each category being evaluated independent of the other. This was done to provide opportunities for more competitive outcomes and identifying more “best-of-class” providers within each field. The RFP provides the City with the option for contracting with multiple firms for and within both consulting categories.

Viable responses were received from the following firms (in alphabetical order):

<table>
<thead>
<tr>
<th>Proposer</th>
<th>Benefits Administration</th>
<th>Communications</th>
</tr>
</thead>
<tbody>
<tr>
<td>Aon Consulting, Inc.</td>
<td>x</td>
<td>x</td>
</tr>
<tr>
<td>Keenan Associates</td>
<td>x</td>
<td>x</td>
</tr>
<tr>
<td>Mercer US Inc.</td>
<td>x</td>
<td>x</td>
</tr>
<tr>
<td>Segal Consulting</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Willis Insurance Services</td>
<td>x</td>
<td>x</td>
</tr>
</tbody>
</table>
Staff has completed its evaluation of written responses and the performance exams associated with each component. Staff employs a rigorous scoring process in evaluating responses to RFPs. Evaluation categories and their weights are published in the RFP. Each question corresponds to a category. Responses to a given question are reviewed simultaneously from all proposals so that an appropriate relative score can be assigned. Each rater conducts his/her evaluation independently to ensure the neutrality of the result. Responses are then compared and modest adjustments may be made in the event the review discussion significantly clarifies the evaluation of a response.

The RFP also provided for performance exams held on October 19, 22 and 23, 2015. Performance exams consisted of specific questions regarding topics relevant to each consulting category. The exams were discretely scored components of the RFP, not a finalist presentation, and their scoring did not impact scoring of the written responses in any way. Copies of the performance exam questions are provided as an attachment to this report.

Staff members Steven Montagna and Ana Chavez evaluated the Benefits Administration portion of the RFP. Staff members Steven Montagna and Maria Koo evaluated the Communication portion. Approximately 100 staff hours were devoted to the review and evaluation process, including 30 hours devoted to 10 performance exams involving the five RFP respondents.

**B. SUMMARY FINDINGS AND RECOMMENDATIONS**

As noted previously, the RFP was designed to provide the City with the option for contracting with multiple firms for and within both consulting categories. This is taken into account in noting the following information with respect to each consulting services component and developing the following recommendations for selection.

**Benefits Administration Consulting** - The review panel identified Segal Consulting as the highest scoring firm for Benefits Administration consulting. Keenan Associates was the second highest scoring firm. As detailed in this report, Segal scored higher in most of the evaluation categories. An exception, however, was their fee proposal, in which they did not propose fees on an hourly basis, but rather a flat annual fixed fee of $440,000, which was higher than the flat fee proposals from the other vendors that submitted them. As a result, they were scored lowest in that category. Notwithstanding this, the scoring within the balance of the proposal categories resulted in them achieving the highest overall score. Based on this, staff recommends that the JLMBC recommend to the General Manager Personnel Department that Segal Consulting be selected as the Flex Program’s Benefits Administration consultant.

**Communications Consulting** - The review panel identified Segal Consulting as the highest scoring firm for Communications consulting. Mercer Consulting was the second highest scoring firm. Segal proposed hourly fees which were (along with Keenan’s) lower than those submitted by Aon and Mercer (Willis did not propose hourly rates). For Communications Consulting, staff finds that the Flex Program would be best served by the selection of two consultants: Segal and Mercer. Segal would be designated as the lead consultant for overall communications strategy and design, new communications initiatives, a communications audit, and other potential new communications endeavors such as those relating to the City’s new Wellness Program. Mercer would continue to provide services that are necessary to support the communications interface
that occurs with the Flex Program’s Third-Party-Administrator (TPA), particularly as that includes support related to open enrollment, the Flex Program website, and other communications involving coordination with the TPA. Based on this, staff recommends that the JLMBC recommend to the General Manager Personnel Department that Segal Consulting and Mercer Consulting be selected as the Flex Program’s Communications consultants.

It is noted that the JLMBC previously requested an opportunity to meet with any recommended provider prior to submitting its recommendation to the General Manager Personnel Department. Before proceeding to take action on staff’s recommendations, the JLMBC may wish to schedule a presentation from Segal and/or Mercer at the JLMBC’s December 3, 2015 meeting. However, it should be noted that such a presentation would not in any way change the scoring by the review panels of the vendors’ responses.

Following are the summary results for review of each of the consulting categories:

C. SUMMARY EVALUATION RESULTS: BENEFITS ADMINISTRATION CONSULTING

This component of the RFP was evaluated by staff members Steven Montagna and Ana Chavez. Proposals were received from all five RFP respondents. Based on its review, Segal Consulting received the highest number of points. Scoring results are summarized in the following table. Boxes in yellow indicate the highest-scoring vendor within each category:

<table>
<thead>
<tr>
<th>Review Category</th>
<th>Wgt</th>
<th>VENDOR: AON</th>
<th>VENDOR: KEENAN</th>
<th>VENDOR: MERCER</th>
<th>VENDOR: SEGAL</th>
<th>VENDOR: WILLIS</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>SM AC Ave</td>
<td>SM AC Ave</td>
<td>SM AC Ave</td>
<td>SM AC Ave</td>
<td>SM AC Ave</td>
</tr>
<tr>
<td>ORGANIZATIONAL QUALIFICATIONS</td>
<td>10%</td>
<td>64 76 70</td>
<td>66 78 72</td>
<td>75 82 78.5</td>
<td>79 87 83</td>
<td>58 73 65.5</td>
</tr>
<tr>
<td>Organizational Strength, Experience</td>
<td>8%</td>
<td>62 68 65</td>
<td>75 71</td>
<td>58 68 63</td>
<td>69 72 70.5</td>
<td>53 55 54</td>
</tr>
<tr>
<td>Regulatory or Contractual Actions</td>
<td>20%</td>
<td>9 10 9.5</td>
<td>16 15 15.5</td>
<td>9 10 9.5</td>
<td>16 17 16.5</td>
<td>8 10 9</td>
</tr>
<tr>
<td>BENEFITS CONSULTING</td>
<td>60%</td>
<td>64 76 70</td>
<td>66 78 72</td>
<td>75 82 78.5</td>
<td>79 87 83</td>
<td>58 73 65.5</td>
</tr>
<tr>
<td>Program/Plan Design &amp; Administration</td>
<td>10%</td>
<td>65 73 69</td>
<td>85 84 84.5</td>
<td>84 83 83.5</td>
<td>87 87 87</td>
<td>77 78 77.5</td>
</tr>
<tr>
<td>Interpretive/Compliance Guidance</td>
<td>10%</td>
<td>26 44 35</td>
<td>36 59 47.5</td>
<td>43 56 49.5</td>
<td>75 75 75</td>
<td>34 48 41</td>
</tr>
<tr>
<td>Benefit Plan Procurement/Contract</td>
<td>10%</td>
<td>70 73 71.5</td>
<td>75 80 77.5</td>
<td>55 67 61</td>
<td>90 84 87</td>
<td>55 77 66</td>
</tr>
<tr>
<td>Rate Renewal Analysis</td>
<td>10%</td>
<td>34 34 34</td>
<td>33 40 36.5</td>
<td>36 30 33</td>
<td>38 42 40</td>
<td>18 37 27.5</td>
</tr>
<tr>
<td>Benchmarking Analysis</td>
<td>5%</td>
<td>27 33 30</td>
<td>33 39 36</td>
<td>30 38 34</td>
<td>36 44 40</td>
<td>50 42 46</td>
</tr>
<tr>
<td>Financial Analysis</td>
<td>5%</td>
<td>18 25 21.5</td>
<td>33 31 32</td>
<td>23 30 26.5</td>
<td>26 30 28</td>
<td>32 36 34</td>
</tr>
<tr>
<td>Training</td>
<td>5%</td>
<td>33 38 35.5</td>
<td>21 38 29.5</td>
<td>32 40 36</td>
<td>38 42 40</td>
<td>45 42 43.5</td>
</tr>
<tr>
<td>Miscellaneous Services</td>
<td>5%</td>
<td>170 160 165</td>
<td>195 190 193</td>
<td>140 150 145</td>
<td>140 150 145</td>
<td>185 175 180</td>
</tr>
<tr>
<td>FEES</td>
<td>20%</td>
<td>170 160 165</td>
<td>195 190 193</td>
<td>140 150 145</td>
<td>140 150 145</td>
<td>185 175 180</td>
</tr>
</tbody>
</table>
Staff’s evaluation indicated the following:

- **Organizational Strength & Continuity** – Keenan scored highest in this category based in part on stronger and more detailed responses regarding their overall benefit consulting experience, staff turnover, and ability to be responsive to the City’s service needs. Segal scored second highest based in part on their strong responses regarding management turnover and processes in place to assure responsiveness to the City’s service needs.

- **Regulatory or Contractual Actions** – Segal scored highest in this category based in part on stronger responses regarding being the subject of complaints filed with state/federal agencies, and because they (along with Keenan) appeared to be better insulated from conflicts of interest because of their ownership and relationship structures.

- **Program/Plan Design & Administration** – Segal scored highest in this category based in part by demonstrating the clearest sense of a thorough understanding of the issues and considerations related to wellness program development and in particular working with labor-management groups to achieve outcomes, and in also providing multiple detailed and compelling examples of their work with other clients in this arena. Segal also provided more depth in describing the process, thinking and proactive engagement in assisting employers achieve results in the areas of cost containment and developing strategic initiatives.

- **Interpretive/Compliance Guidance** – Segal scored highest in this category based in part by demonstrating their capabilities relative to assisting clients with application of the Affordable Care Act.

- **Benefit Plan Procurement and Contractual Services** – Segal scored higher in this category based in part on articulating a detailed process and objectives for what they look to accomplish when negotiating contracts, their response regarding not accepting any vendor indirect compensation, and in providing details and compelling examples with respect to how Requests for Information (RFIs) can inform and support the RFP development process.

- **Rate Renewal Analysis** – Segal scored significantly higher in this category based in part on thoroughly demonstrating the elements of its rate renewal process and providing a specific example which described how their approach, philosophy and process was applied and the results it achieved; and by further providing two additional compelling examples detailing not just results but specific actions taken by the firm in approaching the renewals and achieving savings.

- **Benchmarking Analysis** – Segal scored higher in this category based in part on their response to a question in which respondents were asked to provide an example of a client for whom they developed a mission, implementation strategy and metrics, in which they conducted an extensive benchmarking comparison and ended up unbundling benefits which resulted in substantial cost savings.

- **Financial Analysis** – Willis scored highest in this category by identifying certain forecasting, modeling and analytic tools which would support budget development and
cost analysis to provide the City with the means to conduct its own assessments of data, trends, plan design changes, etc.

- **Training** – Keenan scored highest in this category by describing a suite of trainings they have conducted, including their annual client summit, webinars and trainings, family and medical leave client workshops, etc.

- **Miscellaneous Services** – Willis scored highest in this category by indicating their ability to offer dozens of services and value-adds which they indicated were all included in their annual fee, and by indicating it was willing to go the farthest in terms of offering advice and in assigning a dedicated legal resource for the City.

- **Fees** – The RFP provided vendors with the opportunity to propose hourly rates, a flat total annual retainer fee, or some combination of the two.
  
  - 3 vendors provided hourly rates: Aon, Keenan and Mercer. Segal and Willis did not provide hourly rates. Of the three proposing hourly rates, Keenan's were lowest.
  
  - 4 vendors provided flat annual retainer fees: Aon, Mercer, Segal and Willis. Aon proposed a $375k flat annual amount with a $95k max for RFPs up to hourly costs; Mercer proposed a $330k flat annual amount for “core” services with additional project-based fees up to certain caps; Segal proposed a flat annual amount of $440k; and Willis proposed a $335 flat annual amount. Keenan proposed an annual contract maximum of $755k but this is different than a retainer.
  
  - Keenan received the highest score in the Fees category because it had the lowest hourly rates. Segal and Mercer received the lowest scores: Segal because its annual retainer was higher than Aon’s and Willis’, and Mercer because its hourly rates were (along with Aon's) the most expensive and because their annual retainer quote was interpreted to mean that additional projects could add to the quote for “core” services.
  
  - As a point of reference, the average annual expenditures for Benefits Administration consulting from 2010 through 2014 were $448k.

- **Performance Exam** – Segal scored highest in the performance exam, which was centered around the creation of a strategic plan for Wellness, although it should be noted that each firm brought forth unique perspectives and suggestions and demonstrated the depth and quality of their thinking around a complex topic.

### D. SUMMARY RESULTS: COMMUNICATIONS CONSULTING

This component of the RFP was evaluated by staff members Steven Montagna and Maria Koo. Proposals were received from all five RFP respondents. Based on its review, **Segal Consulting** received the highest number of points. Scoring results are summarized in the following table. Boxes in yellow indicate the highest-scoring vendor within each category:
<table>
<thead>
<tr>
<th>Review Category</th>
<th>Wgt</th>
<th>VENDOR: AON</th>
<th>VENDOR: KEENAN</th>
<th>VENDOR: MERCER</th>
<th>VENDOR: SEGAL</th>
<th>VENDOR: WILLIS</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>SM   MK Avg</td>
<td>SM   MK Avg</td>
<td>SM   MK Avg</td>
<td>SM   MK Avg</td>
<td>SM   MK Avg</td>
</tr>
<tr>
<td>ORGANIZATIONAL QUALIFICATIONS</td>
<td>10%</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Organizational Strength</td>
<td>8%</td>
<td>62   72 67</td>
<td>75   77 76</td>
<td>58   80 69</td>
<td>69   80 74.5</td>
<td>53   79 66</td>
</tr>
<tr>
<td>Regulatory or Contractual</td>
<td>2%</td>
<td>9    10 9.5</td>
<td>16   18 17</td>
<td>9    16 12.5</td>
<td>16   20 18</td>
<td>8   16 12</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>COMMUNICATIONS</td>
<td>60%</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Consulting Consulting</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Communications Strategies, Processes</td>
<td>25%</td>
<td>160 250 205</td>
<td>110 215 163</td>
<td>200 240 220</td>
<td>215 240 228</td>
<td>154 240 197</td>
</tr>
<tr>
<td>Communications Deliverables</td>
<td>30%</td>
<td>155 230 193</td>
<td>130 175 153</td>
<td>238 275 257</td>
<td>265 265 265</td>
<td>165 230 198</td>
</tr>
<tr>
<td>Miscellaneous Services</td>
<td>5%</td>
<td>34   45 39.5</td>
<td>37   48 42.5</td>
<td>50   50 50</td>
<td>44   50 47</td>
<td>30   40 35</td>
</tr>
<tr>
<td>FEES</td>
<td>20%</td>
<td>170 180 175</td>
<td>195 195 195</td>
<td>175 195 175</td>
<td>195 195 195</td>
<td>200 195 198</td>
</tr>
<tr>
<td>PERFORMANCE EVALUATION</td>
<td>10%</td>
<td>90   90 90</td>
<td>95   85 90</td>
<td>95   100 97.5</td>
<td>100 90 95</td>
<td>90   95 92.5</td>
</tr>
<tr>
<td>TOTAL--&gt;</td>
<td>100%</td>
<td>680 877 779</td>
<td>658 813 736</td>
<td>820 941 881</td>
<td>904 940 922</td>
<td>700 895 798</td>
</tr>
</tbody>
</table>

Staff’s evaluation indicated the following:

- **Communications Strategies, Processes, Management** – Segal scored highest in this category based in part on demonstrating the quality of their communications background, resources, and approach to project development. This approach incorporates metrics and communications inventory reviews, and they outlined in detail thorough blueprints for project management. They also provided a number of client project examples that illustrated the depth and complexity of some of their work. Mercer also scored well in this category based in part on their broad experience and resources for developing and executing communications projects.

- **Communication Deliverables** – Segal scored highest in this category based in part on demonstrating and describing the content of their communication materials and the resources to produce them, providing a thorough outline of an Open Enrollment planning process, and indicating their proficiency in the arena of surveys and focus groups. Mercer also scored well in this category, demonstrating similar proficiencies in developing content, executing processes, and possessing the necessary resources.

- **Miscellaneous Services** – Mercer scored highest in this category based in part on value-added services such as webinar hosting and taking the opportunity to provide suggestions for improving the City’s communications through rebranding and creating a new microsite encompassing all of the Employee Benefits Division’s programs. Segal also scored very highly in this category, describing particularly well their ability to work in a multi-consultant environment and proposals for rebranding the Flex Program and an audit of current communication materials.
• **Fees** – The RFP provided vendors with the opportunity to propose hourly rates, a flat total annual retainer fee, or some combination of the two.
  - 4 vendors provided hourly rates: Aon, Keenan, Mercer and Segal. Willis did not provide hourly rates. Of the four proposing hourly rates, Keenan’s and Segal’s were lowest.
  - 3 vendors provided flat annual retainer fees: Aon, Mercer, and Willis. Aon proposed a $220k flat annual amount; Mercer proposed a $220k flat annual amount for Open Enrollment and website hosting with additional project-based fee caps; and Willis proposed a $150 flat annual amount. Keenan and Segal did not propose flat annual retainer fees.
  - Keenan, Segal and Willis received the highest scores in the Fees category. Keenan and Segal had the lowest hourly rates. Willis had the lowest annual retainer.
  - As a point of reference, the average annual expenditures for Communications consulting from 2010 through 2014 were $220k.

• **Performance Evaluation** – Mercer scored highest in this category, demonstrating creativity and precision in their perspectives on how to simplify communications and messaging and empowering participants to successfully navigate the complexity of the benefit program structure. Each firm brought forth unique perspectives and suggestions and demonstrated the depth and quality of their thinking around a complex topic.

**E. CONCLUSION**

Staff acknowledges the commitment of time, resources and staff from each proposing vendor in responding to this RFP. Notwithstanding the scoring results, each firm is to be recognized for the effort, talent, and care they took in participating in this process.

Submitted by: ______________________________

Maria Koo

______________________________

Ana Chavez

______________________________

Steven Montagna
Performance Exam
City of Los Angeles Request for Proposal 2015
Consulting Services – Benefits Plan Administration

Background - This performance examination will be conducted as an interactive “brainstorming” exercise in which you as the consultant are asked to participate in a discussion regarding a specific plan administration project/challenge. Our objective is to simulate the ongoing interactions we typically have with our consultants when we are at the early stages of investigating a specific issue.

In this document you are provided with a brief description of the plan administration project. Review panel members will then introduce the concept and verbally provide additional background. You will be asked to provide feedback regarding how to frame the issue, potential solutions/deliverables, and a recommended process for moving forward. Please note the following:

- The exam will last approximately one hour.
- No materials or equipment are permitted into the exam.
- All firms participating in the performance exam will be given an identical plan administration exercise.
- The panel will consist of two staff members; additional staff may be present as observers, but only the panel members will score the exam.

We approach this exercise as an opportunity to explore what it would be like for our staff to work with your staff in a collaborative setting. We look forward to meeting with you and participating in what we hope will be an interactive, engaging discussion.

Plan Administration Issue: Wellness Program Development

The City’s Flex Benefits Program is in the early stages of initiating a Wellness Program. A Wellness Subcommittee of the City’s Joint Labor-Management Benefits Committee (JLMBC) has been formed, met and recently adopted the broad outlines of a proposal for moving forward with this program, summarized right as a “pyramid,” or layers, of development in order to create a credible, sustainable program.
The mission of the program is to engage Flex Program members and promote proactive and sustainable behaviors supporting more favorable personal and collective health outcomes, including behaviors related to prevention and treatment of chronic disease. The Wellness Program will be focused on communication/education/engagement and will NOT include a structural realignment of health plan costs (“carrots and sticks”) to achieve its objectives.

The City will be working with its consultant to develop a Strategic Plan for this project. In this mock “kickoff meeting,” we will be brainstorming with you regarding what should be included at a high level within the Strategic Plan in order to produce a deliverable for the JLMBC and the City’s elected officials.

Questions we may address in this discussion include:

- Based on your experience, what core elements should be included within the Strategic Plan?
- To what extent, if any, have you worked with or are you otherwise aware of other programs using novel or innovative forms of executing engagement/education-based Wellness Programs?
- What suggestions would you have for creating benchmarking services that would sit “above the healthcare providers” so as to ensure that the City can define its unique data collection requirements?
- What suggestions would you have for establishing contracted, dedicated in-person counseling/education resources for the City population?
Performance Exam
City of Los Angeles Request for Proposal 2015
Consulting Services – Benefit Communications

Background - This performance examination will be conducted as an interactive “brainstorming” exercise in which you as the consultant are asked to participate in a discussion regarding a specific communications project/challenge. Our objective is to simulate the ongoing interactions we typically have with our consultants when we are at the early stages of investigating a specific issue.

In this document you are provided with a brief description of the communications project. Review panel members will then introduce the concept and verbally provide additional background. You will be asked to provide feedback regarding how to frame the issue, potential solutions/deliverables, and a recommended process for moving forward. Please note the following:

- The exam will last approximately one hour.
- No materials or equipment are permitted into the exam.
- All firms participating in the performance exam will be given an identical communications exercise.
- The panel will consist of two staff members; additional staff may be present as observers, but only the panel members will score the exam.

We approach this exercise as an opportunity to explore what it would be like for our staff to work with your staff in a collaborative setting. We look forward to meeting with you and participating in what we hope will be an interactive, engaging discussion.

Communications Issue: Benefit Communications Simplification

The Flex Program recently concluded a series of focus groups and is in the process of developing a survey of its membership for the purpose of informing development of Requests for Proposal for health and dental services. A recurring theme in the focus groups which we expect will be confirmed in the survey are the challenges that participants experience in navigating the vastness and complexity associated with the rules, features, and services that are found within Federal law/regulation, the Flex Program as a whole, and individual service provider programs. The gap between the proliferation of

---

Information/Engagement Gap Over Time

- Information
- Engagement
information/complexity and our members’ ability to engage with it over time is assumed to trend as illustrated right→. This “complexity wave” cannot realistically be contained. Thus, empowering our membership will require that we engage with the challenges presented by that wave. We may not have invented all or most of the complexity, but it is nevertheless our job to do our best at communicating it. We need the help of our communications consultant to identify innovative means of helping our employees organize the complexity and distill what is most important relative to the most essential member outcomes.

Questions we may address in this discussion include:

- From a communications perspective, where should the City be attempting to focus its members’ attention?
- To what extent, if any, have you worked with or are you otherwise aware of other programs using novel or innovative forms of simplifying communication of their benefit programs?
- What would you suggest the City explore as a potential tool or resource for helping City employees in organizing benefit complexity?