

AUSTIN CITY COUNCIL

AGENDA



Thursday, July 27, 2006

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Purchasing Office RECOMMENDATION FOR COUNCIL ACTION

ITEM No. 76

Subject: Authorize award, negotiation and execution of two 12-month service contracts with ASSURANT, INC. dba UNION SECURITY INSURANCE CO., Kansas City, MO, for a dental health maintenance organization plan for City of Austin retirees in an estimated amount not to exceed \$424,000, with two 12-month extension options in estimated amounts not to exceed \$508,000 for the first extension option and \$610,000 for the second extension option, for a total estimated contract amount not to exceed \$1,542,000; and the other with DELTA DENTAL INSURANCE COMPANY, Alpharetta, GA, for an indemnity PPO dental plan for City of Austin retirees in an estimated amount not to exceed \$1,358,000, with two 12-month extension options in an estimated amount not to exceed \$1,629,000 for the first extension option and \$2,248,000 for the second extension option, for a total estimated contract amount not to exceed \$5,235,000.

Amount and Source of Funding: Funding in the amount of \$1,336,500 is available in the Fiscal Year 2006-2007 Proposed Operating Budget for the Employee Benefits Fund of the Human Resources Department. Funding for the remaining three months of the original contract period and extension options is contingent upon available funding in future budgets.

Fiscal Note: There is no unanticipated fiscal impact. A fiscal note is not required.

Additional Backup Material

(click to open)

[D ASSURANT/DELTA -
DENTAL PLAN MONTHLY
PREMIUMS](#)

For More Information: Rosemary Ledesma, Supervising Sr. Buyer/974-2011

Purchasing Language: Best evaluated proposals of six proposals received.

MBE/WBE: This contract will be awarded in compliance with Chapter 2-9C of the City Code (Minority-Owned and Women-Owned Business Enterprise Procurement Program). No subcontracting opportunities were identified; therefore, no goals were established for this solicitation.

These contracts are for dental plans offered to City of Austin retirees. The Retiree Dental Program, which is funded solely by retiree contributions, provides retirees an opportunity to buy dental coverage for themselves and their dependents. The solicitation provided vendors the opportunity to propose more than one dental insurance plan including but not limited to, a fully-insured indemnity/Preferred Provider Organization plan (PPO) and/or a managed care plan.

These following dental plans are recommended by the evaluation committee, to be offered to retirees with the option of choosing one of the plans: • The Dental Health Maintenance Organization (DHMO) will be offered by Assurant, Inc. through Union Security Insurance Company AKA Assurant Employee Benefits. The covered person will pay applicable copayments (as established by the plan) for dental services provided by their selected network dentist. An enhanced benefit of the plan allows the covered person to utilize services of a specialty dentist without a referral from their selected network dentist.

• The fully-insured, indemnity/PPO dental plan will be offered through Delta Dental Insurance Company. The covered person can go to any dentist of his/her choice and pay a percentage of the expenses

incurred after the deductible (if applicable) has been met.

The term of these contracts is from January 1, 2007 through December 31, 2007 for the original period. The extension options, if exercised, will extend the term through December 31, 2009.

The evaluation panel consisted of professional and managerial staff from the Human Resources Department, Employee Benefits Division. The criteria used in the evaluation of the proposals included: proposed plan for achieving scope of work requirements, demonstrated applicable experience specifically with large group plans, personnel qualifications, evidence of good organization and management practices, and total evaluated cost. The panel members are experts in the industry and recommend these two plans as the best proposed plans offering reasonable rates and good benefit design. In addition, the recommended awardees have many years experience in providing these plans, and their reference contacts confirmed their satisfaction with the previous dental plan services provided.

MBE/WBE solicited: 3/4 MBE/WBE bid: 0/0

RFP No. RL06300056 PRICE ANALYSIS a. Adequate competition. b. Sixty-two notices were sent, including three MBEs and four WBEs. Fourteen solicitations were issued. Six proposals were received, with no response from the MBEs/WBEs. c. The recommended awardees, Assurant, Inc. and Delta Dental, were recommended by their reference contacts as very good dental plan Providers with good benefit plans.

APPROVAL JUSTIFICATION a. Best evaluated proposals. b. The Purchasing Office concurs with the Human Resources Department's recommended awards. c. Advertised in the Austin American Statesman and on the Internet.

CITY OF AUSTIN
AGENDA DATE: 7/27/06
VENDOR NAME: Assurant, Inc. and Delta Dental Insurance Company

The 2007 monthly premiums for each plan are listed below:

Assurant:

<u>Coverage Level</u>	<u>Monthly Rate</u>
Retiree Only	\$10.14
Retiree + One Dependent	\$16.64
Retiree + Family	\$25.77

Rates are guaranteed for 2007, 2008, and 2009.

<u>Year</u>	<u>Estimated Annual Expense*</u>
2007	\$424,000
2008	\$508,000
2009	\$610,000

Delta Dental:

<u>Coverage Level</u>	<u>Monthly Rate</u>
Retiree Only	\$27.89
Retiree + One Dependent	\$58.67
Retiree + Family	\$85.91

Rates are guaranteed for 2007 and 2008, with a rate cap of 15% for 2009.

<u>Year</u>	<u>Estimated Annual Expense*</u>
2007	\$1,358,000
2008	\$1,629,000
2009	\$2,248,000

* Based upon enrollment of 2,023 retirees as of June 2006. Second and third years also include estimated enrollment and rate increases.