

A U S T I N C I T Y C O U N C I L

## AGENDA

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Thursday, August 10, 2006

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**Purchasing Office  
RECOMMENDATION FOR COUNCIL ACTION**
**ITEM No. 46**

**Subject:** Authorize award, negotiation, and execution of a 36-month requirements service contract with ERISA ADMINISTRATIVE SERVICES, INC., Austin, TX for benefit plan administration services including dental claims, flexible benefits, COBRA and retiree self-pay, and eligibility in an estimated amount not to exceed \$2,744,000, with three 12-month extension options in estimated amounts not to exceed \$1,105,000 for the first extension option, \$1,229,000 for the second extension option, and \$1,568,000 for the third extension option, for a total estimated contract amount not to exceed \$6,646,000.

**Amount and Source of Funding:** Funding in the amount of \$686,000 is available in the Fiscal Year 2006-2007 Proposed Operating Budget of the Employee Benefits Fund of the Human Resources Department. Funding for the remaining 27 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)

No Attachments Available

**For More Information:** Rosemary Ledesma, Supervising Sr. Buyer/974-2011 or Delia Hernandez, Benefits Manager/974-3409.

**Purchasing Language:** Best evaluated proposal of ten 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.

This contract will provide Dental Claims Administration, Flexible Benefits Administration (Health Care and Dependent Care Accounts), Consolidated Omnibus Reconciliation Act (COBRA) and Retiree Self-Pay Administration, and Eligibility Administration services of the benefit plans for City employees, retirees and their dependents.

The City issued a solicitation on May 15, 2006 seeking proposals to provide medical benefit plan and benefits administration services for City employees, retirees and other eligible participants. The solicitation included the following seven medical/administration benefit services: A) Provider Network, Utilization Review and Claims Administration for a Self-Funded PPO Medical Plan; B) Stop-Loss Coverage; C) Prescription Benefit Management; D) COBRA and Self-Pay Administration; E) Eligibility Administration; F) Dental Claims Administration; and G) Flexible Benefits Administration. Proposals were received on June 19, 2006 and of the nineteen proposals received, ten proposals were in response to the administration services portion of this solicitation. Four of the administrative services proposals were deemed non-responsive. The term of the contract will be from January 1, 2007 through December 31, 2009 for the original 36-month term. The extension options, if exercised, will extend the term through December 31, 2012.

The 2007-2009 monthly service fees offered are: Dental Claims Administration is \$2.74 per employee per month, Flexible Benefits Administration is \$4.50 per employee per month, COBRA Administration is \$6.00 per participant, COBRA Qualifying Event Letter is \$7.50 per letter, Self-Pay Administration is \$2.10 per participant and Eligibility is \$1.93 per employee per month. Fees for the first, second and third extension options have a guaranteed 2%

increase cap for each extension option period.

The proposals were evaluated by City of Austin Human Resources staff. The evaluation was based on: business organization, personnel qualifications, prior experience; comprehension of the scope of work requirements, proposer's plan for achieving the scope requirements and cost. The Evaluation Panel determined Erisa Administrative Services, Inc. (Erisa) as the best evaluated proposal.

The evaluation panel recommends awarding the contract to Erisa as: o Erisa offers the lowest overall cost to the City for the listed services, o Erisa has extensive experience in providing these services for government agencies, and, o its knowledge of the City's benefits process is comprehensive.

Erisa is currently under contract to provide these services through December 31, 2006.

The 2007-2009 monthly fees to the City are Dental Claims Administration-\$2.74 per employee, Flexible Benefits Administration-\$4.50 per employee, COBRA Administration-\$6.00 per participant, COBRA Qualifying Event Letter-\$7.50 per letter, Self-Pay Administration-\$2.10 per participant, and Eligibility Administration-\$1.93 per employee. Fees for the first, second and third extension options have a guaranteed 2% increase cap for each extension option period.

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

RFP No. RL06300059 PROPOSAL ANALYSIS a. Adequate competition. b. Sixty-one notices were sent including three MBEs and four WBEs. Twenty-six solicitations were issued including no MBEs and WBEs. Ten proposals were received, with no response from the MBEs/WBEs. c. Other services in this RFP will be awarded on a separate contract.

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