



City of Denton

City Hall
215 E. McKinney Street
Denton, Texas
www.cityofdenton.com

AGENDA INFORMATION SHEET

DEPARTMENT: Procurement
DCM: David Gaines
DATE: August 16, 2022

SUBJECT

Consider adoption of an ordinance of the City of Denton, a Texas home-rule municipal corporation, authorizing the City Manager to execute a contract with Labor First, LLC dba Retiree First, LLC, to provide Administration of Post-65 Retiree Medical/Rx coverage for the City of Denton retirees; providing for the expenditure of funds therefor; and providing an effective date of January 1, 2023 (RFP 7981 – awarded to Labor First, LLC dba Retiree First, LLC, for three (3) years, with the option for two (2) additional one (1) year extensions, in the total five (5) year not-to-exceed amount of \$7,790,000.00).

INFORMATION/BACKGROUND

As part of the City's comprehensive benefits program, City employees can elect retiree health insurance and remain on the City's self-funded health plan. Once a retiree reaches 65 years of age and becomes Medicare eligible, they transition to a fully-insured Medicare Supplement health plan that includes provisions to cover services not covered by Medicare, including a prescription plan (Group Medicare Part D plan). The funding includes the accommodation of a year-over-year increase of 10% per year in retiree count and rate increase.

Since the retiree pays for the cost of the Medicare Supplement plan (except for a City subsidy based on years of service as detailed below), this change saves the City money in health claims and reduces any potential GASB 75 liability the City may have.

Retiree First, LLC (Retiree First) administers the plan through a retiree medical plan offered by United American. United American has been the retiree medical plan carrier since January 1, 2019, and no plan benefits changes have been made to the base plan or the Group Medicare Part D plan (prescription drugs) since implementation.

As stated above, the premiums for the Medicare Supplement plan are paid by retirees, except for a City-paid subsidy based on years of service:

<u>Years of Service</u>	<u>City Paid Subsidy per Month</u>
Fewer than 5 years	\$40
5 to 9 years	\$80
10 to 14 years	\$120
15 to 19 years	\$160
20+ years	\$200

While the first-year estimated cost of the Retiree First plan is \$1,026,00.00, the City's contribution will be approximately \$329,000.00.

Project Description	Estimated 5-Year Expenditure
Year 1* (202 plus 10% = 222 count)	\$1,027,000
Year 2*	\$1,242,000
Year 3*	\$1,503,000
Year 4*	\$1,818,000
Year 5*	\$2,200,000
Total:	\$7,790,000

**10% retiree increase each year, starting with 2023 average count*

Due to exceeding the NTE approved on the current contract, the City was required to release a Request for Proposal (RFP) after four years with Retiree First. Through the RFP, the City sought proposals from qualified firms to manage the Post-65 Retiree Medical/Rx coverage beginning January 1, 2023.

The City received five (5) responses to RFP #7981 from:

- Amwins Group Benefits, LLC
- Cigna
- RDS Services, LLC
- Retiree First, LLC
- The Hartford

The five (5) proposals were reviewed and scored by an evaluation team that included representatives from the City's Employee Insurance Committee (EIC) and staff members from Human Resources.

The evaluation team ranked Retiree First as the proposal that provided the best overall value for the City and our over-65 retirees. The main differentiator between Retiree First and the other bidders was the customer service and advocacy team provided as part of Retiree First's services. There are no changes to the medical and prescription coverage or to the current carriers—United American (medical services) and Humana (prescription services). There is a 3.68% premium rate increase for the 2023 plan year.

Request for Proposals was sent to 186 prospective suppliers. In addition, specifications were placed on the Procurement website for prospective suppliers to download and advertised in the local newspaper. Five (5) proposals were received, references were checked, and proposals were evaluated based upon published criteria including compliance with specifications, probable performance, and price. Best and Final Offers (BAFO) were requested from the top firm. Based upon this evaluation, Labor First, LLC dba Retiree First, LLC was ranked the highest and determined to be the best value for the City.

NIGP Code Used for Solicitation:	<u>948</u> - (Service Only) - Health Related Services (For Human Services See Class 952) & <u>952</u> - (Service Only) - Human Services
Notifications sent for Solicitation sent in IonWave:	186
Number of Suppliers that viewed Solicitation in IonWave:	11
HUB-Historically Underutilized Business Invitations sent out:	17
SBE-Small Business Enterprise Invitations sent out:	87
Responses from Solicitation:	5

RECOMMENDATION

Award a contract with Labor First, LLC dba Retiree First, LLC, to provide Administration of Post-65 Retiree Medical/Rx coverage for the City of Denton retirees, in a three (3) year, with the option for two (2) additional one (1) year extensions, in the total five (5) year not-to-exceed amount of \$7,790,000.

PRINCIPAL PLACE OF BUSINESS

Labor First, LLC dba Retiree First, LLC
Mount Laurel, NJ

ESTIMATED SCHEDULE OF PROJECT

This is an initial three (3) year contract with options to extend the contract for two (2) additional one (1) year periods, with all terms and conditions remaining the same, starting on January 1, 2023.

FISCAL INFORMATION

The costs associated with the administration of the Post-65 Retiree Medical/Rx plan are funded by the Health Insurance Fund. The City will only pay for services rendered and is not obligated to pay the full contract amount unless needed.

EXHIBITS

Exhibit 1: Agenda Information Sheet
Exhibit 2: Pricing Evaluation
Exhibit 3: LLC Members
Exhibit 4: Presentation
Exhibit 5: Ordinance and Contract

Respectfully submitted:
Lori Hewell, 940-349-7100
Purchasing Manager

For information concerning this acquisition, contact: Linda Kile, 940-349-8388.

Legal point of contact: Marcella Lunn at 940-349-8333.