



# CITY COUNCIL STAFF REPORT



**March 26, 2024**

## **ITEM TITLE**

Employee Benefits: Approve a Consultant Services Agreement with Marsh & McLennan Agency, LLC. to Provide Employee Benefits Insurance Broker Services

**Report Number:** 24-0081

**Location:** No specific geographic location

**Department:** Human Resources

**G.C. § 84308:** No

**Environmental Notice:** The activity is not a “Project” as defined under Section 15378 of the California Environmental Quality Act State Guidelines; therefore, pursuant to State Guidelines Section 15060(c)(3) no environmental review is required.

## **Recommended Action**

Adopt a resolution approving the consultant services agreement with Marsh & McLennan Agency, LLC.

## **SUMMARY**

Staff is requesting City Council’s approval of a Consultant Services Agreement between the City and employee benefits broker Marsh & McLennan Agency, LLC. (“MMA”), for the period December 31, 2023 to January 31, 2026.

Chula Vista Municipal Code Section 2.56.110(H)(2) provides for the award of a contract for professional consultant services, without competitive bidding, as impractical or impossible when it is determined by resolution of the City Council that the competitive bidding requirements are impractical, or impossible, or that City interests would be materially better served by applying a different purchasing procedure. Considering the general Request for Proposals (RFP) timeline and the schedule and staff time required for the preparation, execution of, and review of annual Benefits Open Enrollment, Council’s approval of the Agreement will allow Human Resources staff to continue working with MMA within the normal annual benefits renewal schedule and avoid disruption to strategic planning and implementation of the 2025 employee benefits plans. Furthermore, MMA has demonstrated their ability to perform the scope of work of a benefits insurance broker, negotiate competitive health insurance premium rates and has developed a strong partnership with the Human Resources Department and Health Insurance Committee (consisting of

representatives from Human Resources, Finance, and all collective bargaining units), which are both critical to the annual benefits renewal process.

## **ENVIRONMENTAL REVIEW**

The Director of Development Services has reviewed the proposed activity for compliance with the California Environmental Quality Act (CEQA) and has determined that the activity is not a “Project” as defined under Section 15378 of the State CEQA Guidelines because the proposed activity consists of a governmental fiscal/administrative activity which does not result in a physical change in the environment; therefore, pursuant to Section 15060(c)(3) of the State CEQA Guidelines, the activity is not subject to CEQA.

## **BOARD/COMMISSION/COMMITTEE RECOMMENDATION**

Not applicable.

## **DISCUSSION**

In 2019, the Human Resources Department completed a Request for Proposals (RFP) from qualified broker organizations to partner with the department in providing employee benefits broker and consulting services. Candidates participated in a selection process and were evaluated on the following criteria: ability to perform the scope of work as a benefits broker; ability to negotiate a benefits program that meets the needs of the City; availability and accessibility of the broker and it’s staff; and method and scope of compensation. Marsh & McLennan Agency, LLC. (“MMA”) was awarded a benefits broker services agreement effective April 1, 2019. A copy of the services agreement is attached (Attachment 1).

MMA has demonstrated their ability to negotiate competitive health insurance premium rates and has developed a strong partnership with the Human Resources Department and Health Insurance Committee (consisting of representatives from Human Resources, Finance, and all collective bargaining units), both critical to the annual benefits renewal process. Accomplishments to be highlighted include:

- Negotiation of medical plan premiums, including both Aetna and Kaiser, resulting in an average annual increase of 2% over the past five years when Southern California HMO inflation and trend averages 8-10% annually. MMA’s negotiation efforts have included innovative product solutions and thorough actuarial evaluations, which have resulted in significant cost savings. As an example, Aetna’s medical plan premiums are 2% lower than what UHC had proposed five years ago, after MMA recommended a cost-efficient plan for Sharp members. It is very difficult to secure agreement from Kaiser to lower their proposed renewals, yet in 2023 MMA was able to negotiate a 4% reduction in rates without plan design changes. That same year, after Aetna proposed a 12% increase in rates, MMA successfully worked with the carrier to offer a similar HMO that was 5% lower than the current rates.
- Transition of City’s health and dependent care flexible spending account (FSA) provider from WageWorks to HealthEquity in 2020 and vision plan provider from MES Vision to EyeMed in 2023 in partnership with Human Resources.
- Continued sponsorship of the City’s annual Employee Benefits and Wellness Fair.

- Implementation of a pet insurance plan requiring minimal staff time and no premium cost to the City.

Compensation for MMA is based on monthly broker commissions built into the employee insurance benefit plans and based upon percentages negotiated with the various insurance companies and paid directly to the broker by various insurance companies.

The term of the agreement entered into with MMA in 2019 expired on December 31, 2023. Considering that preparation for, execution of, and review of annual Benefits Open Enrollment occurs from April through January and that the RFP process generally takes approximately 6 to 7 months to complete, staff is requesting to renew the services agreement, extending the terms through January 31, 2026 and to waive the competitive bidding process with respect to the Agreement, pursuant to CVMC Section 2.56.110(H)(2). Approval of the renewal of the contract with MMA will allow for continuation of efforts in strategic planning for the 2025 Benefits Plan Year, such as provider network analysis and utilization review for each health insurance plan. Additionally, the City will be able to maintain a valuable resource for Federal, State, and Affordable Care Act (ACA) compliance consulting and key legislative updates related to employee benefits insurance plans. Other than the renewal of the term period, no other changes to the services agreement entered into in 2019 are being requested.

A copy of the proposed amended agreement is provided as Attachment 2.

#### **DECISION-MAKER CONFLICT**

Staff has reviewed the decision contemplated by this action and has determined that it is not site specific and consequently, the 500-foot rule found in California Code of Regulations section 18704.2(a)(1), is not applicable to this decision. Staff is not independently aware, and has not been informed by any Council member, of any other fact that may constitute a basis for a decision maker conflict of interest in this matter.

#### **CURRENT-YEAR FISCAL IMPACT**

There is no fiscal impact as a result of approving the consultant services agreement with City's Employee Benefits Broker Marsh & McLennan Agency, LLC., since their compensation for all brokering and consulting services are provided through commission arrangements with the benefit insurance providers that are factored into all benefit premiums.

#### **ONGOING FISCAL IMPACT**

There is no ongoing fiscal impact as a result of authorizing the renewal of the services agreement with City's Benefits Broker Marsh & McLennan Agency, LLC.

#### **ATTACHMENTS**

1. Consultant Services Agreement with Marsh & McLennan Agency, LLC. (Agreement No. 19154)
2. Proposed Consultant Services Agreement with Marsh & McLennan Agency, LLC. (Agreement No. 2024-036)

*Staff Contact: Tanya Tomlinson, Director of Human Resources/Risk Management*