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DEPARTMENT OF
PERSONNEL

DONNA L. GILES
DIRECTOR

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DIVISIONS:
ADMINISTRATION
EMPLOYEE SERVICES
PERSONNEL MANAGEMENT
SERVICES
WORKERS'
COMPENSATION

February 28, 1989

Budget and Finance Committee
Sacramento, California

Honorable Members in Session:

SUBJECT: Request for Approval of Consultant Contract for Health
and Welfare Plan Design Services for \$40,000 and Authorizing the
Transfer of \$36,420 from the Risk Management Fund Contingency

Summary.

This staff report requests approval for the City Manager or his designee to execute a contract with Sher Group for health and welfare plan design and related consultative services.

Background.

The City of Sacramento needs consulting services for the purpose of analyzing and resolving major problems related to the City's current mix of indemnity health plans, an incentive dental plan and a weekly indemnity (short-term disability) plan, under a minimum premium arrangement with a single carrier.

Currently, the City offers two health maintenance organization (HMO) plans - Kaiser Permanente and Foundation Health Plan - and two indemnity health plans through Travelers Insurance Company. In recent years, enrollments in the two indemnity plans have decreased while plan premiums have increased, dramatically. The base problem of declining enrollments in the Travelers' indemnity health plans has been exacerbated by subsidization of these plans with paid premiums from enrollments in the Travelers' dental plan and the weekly indemnity plan.

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After considerable review of plan design and utilization problems, the Ad-Hoc Insurance Committee decided to issue a request-for-proposal (RFP) to the benefits consulting community for health and welfare plan design consultative services. A committee, which consisted of the department heads of Employee Relations, Finance and Personnel reviewed five proposals which were submitted in response to the RFP. Subsequently, the review committee interviewed three finalists and unanimously selected Sher Group, San Francisco.

The proposed contract will include two phases. Phase I (March 1 - June 30, 1989) will consist of problem analyses, employees/retirees surveys, meetings with management and recognized employee organizations and development of possible alternatives for implementation on July 1, 1989. Phase II (July 1, 1989 - June 30, 1990) will include consultant services related to maintenance and review of the City's health and welfare benefit plans.

Financial Data.

The cost of the services to be provided by Sher Group during the 16-month contract is \$40,000. It is proposed that the funding for this contract come from two sources, as follows:

- \$3,580 from the Employee Services Division budget from savings realized on another contract (101-150-1530-4258). No additional appropriation of General Funds is required.
- \$36,420 from the Risk Management Contingency Fund (421-710-7012-4999). This fund currently has \$2,432,000 available.

Policy Considerations.

There are several policy considerations related to this item. First, the benefits consultant will complete analyses of the City's health and welfare plan designs and develop alternative plan designs for possible implementation. Second, funding for the consultant's fees will be moved from the General Fund to the Risk Management Fund.

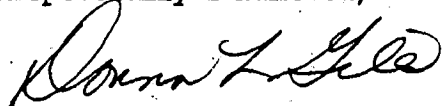
MBE/WBE Efforts.

The Health and Welfare Benefits Consultant RFP contained necessary advisory information regarding the City's MBE/WBE program. Sher Group has indicated their firm does not meet MBE/WBE standards.

Recommendation.

It is recommended that the Budget and Finance Committee approve the transfer of funds and forward the attached resolution to the full City Council with a recommendation for approval.

Respectfully submitted,



DONNA L. GILES
Director of Personnel

RECOMMENDATION APPROVED:



JACK R. CRIST
Deputy City Manager

Contact Person to Answer Questions:

Richard E. Snyder
Employee Services Manager
449-5665

February 28, 1989
All Districts

RESOLUTION NO.

ADOPTED BY THE SACRAMENTO CITY COUNCIL ON DATE OF

RESOLUTION AUTHORIZING THE CITY MANAGER OR HIS DESIGNEE TO CONTRACT WITH SHER GROUP FOR CONSULTANT SERVICES CONCERNING EMPLOYEE HEALTH AND WELFARE BENEFIT PLANS AND AUTHORIZING THE TRANSFER OF \$36,420 FROM THE RISK MANAGEMENT FUND

BE IT RESOLVED BY THE COUNCIL OF THE CITY OF SACRAMENTO THAT:

1. The City Manager or his designee is hereby authorized and directed to execute, on behalf of the City of Sacramento, an agreement between the City of Sacramento and Sher Group for health and welfare benefit plan consultative services in the amount of \$40,000.
2. The FY 1988-89 City operating budget is hereby amended by transferring \$36,420 from the Risk Management Fund to the Department of Personnel, Employee Services Division operating budget as follows:

Risk Management Fund	421-710-7012-4999	(36,420)
General Fund Contingency	101-710-7012-4999	36,420
General Fund	101-710-7012-4999	(36,420)
Department of Personnel	101-150-1530-4258	36,420

MAYOR

ATTEST:

CITY CLERK