



County Executive Office

Memorandum

June 18, 2019

To: Clerk of the Board of Supervisors
From: Frank Kim, County Executive Officer
Subject: Exception to Rule 21

RECEIVED
2019 JUN 20 PM 3:08
CLERK OF THE BOARD OF SUPERVISORS
SLOSC

The County Executive Office is requesting a Supplemental Agenda Staff Report for the June 25, 2019, Board Hearing.

Agency: County Executive Office
Subject: Approve Contract for Benefits Administration Services with Alight Solutions
Districts: All Districts

Reason for supplemental: This Agenda Staff Report must be heard on June 25, 2019, as the new contract is scheduled to start on July 1, 2019. A later start date would potentially push the Go Live date. This Agenda Staff Report and attachments were finalized after the filing deadline to the Clerk of the Board.

Concur:

Chairwoman Lisa A. Bartlett, Supervisor, Fifth District

cc: Board of Supervisors
County Executive Office
County Counsel



**SUPPLEMENTAL AGENDA ITEM
 AGENDA STAFF REPORT**

MEETING DATE: 06/25/19
LEGAL ENTITY TAKING ACTION: Board of Supervisors
BOARD OF SUPERVISORS DISTRICT(S): All Districts
SUBMITTING AGENCY/DEPARTMENT: County Executive Office
DEPARTMENT HEAD REVIEW: Tom Hatch
Department Head Signature
DEPARTMENT CONTACT PERSON(S): Renee Catanzariti (714) 834-2564
 Janine Boiarsky (714) 834-8958

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SUBJECT: Approve Contract for Benefits Administration Services with Alight Solutions, LLC

CEO CONCUR

Julia
CEO Signature

COUNTY COUNSEL REVIEW

approved to form
Action
County Counsel Signature

CLERK OF THE BOARD

Discussion
 3 Votes Board Majority

Budgeted: N/A

Current Year Cost: N/A

Annual Cost: See Financial Impact Section

Staffing Impact: See Staffing Impact Section

of Positions: See Staffing Impact Section

Sole Source: N/A

Current Fiscal Year Revenue: N/A

Funding Source: Other: 100%

County Audit in last 3 years N/A

Prior Board Action: 2/26/2019 #39, 2/23/2016 #27, 12/15/2015 #60

RECOMMENDED ACTION:

Authorize the Chief Human Resources Officer or designee to execute a contract with Alight Solutions, LLC for Benefits Administration Services, effective July 1, 2019, through March 31, 2025, at an estimated cost of \$13,167,500, with the option to renew for two additional one-year periods, as approved by the Board of Supervisors.

SUMMARY:

Approval of this contract will allow the County to continue to provide administration of health and welfare benefits for active and retired employees, and eligible dependents as required under the various Memorandums of Understanding and the Affordable Care Act, with the added advantage of a nine-month implementation period at no cost to the County.

BACKGROUND INFORMATION:

The County's current Benefits Administration contract with Secova, Inc. expires on December 31, 2020, and, in anticipation of the contract expiration as well as the challenges in administration of the County's complex benefits programs, Human Resource Services (HRS) issued a Request for Information (RFI) on August 8, 2018, in order to identify potential vendors with the qualifications and experience to participate in a solicitation for benefits administration services. This contract includes the following critical core components of providing benefits to the County's estimated 18,000 employees and 6,500 retirees and their eligible dependents:

- 1) Fully staffed Call Center with incoming caller authentication, digitally recorded calls and detailed call tracking and history;
- 2) Web eligibility and enrollment platform for 13 different employee groups with 15 varying benefit types and options; and
- 3) Systems/vendor eligibility and premium deduction interfacing compliant with federally mandated file formats with 10 different vendors and pension/payroll systems.

The RFI also sought feedback from vendors about their capabilities to administer the County's complex benefits and County-specific rules for administration of benefits for active and retired employees, and their dependents. Thirteen vendors responded to the RFI and provided valuable information used to develop a more comprehensive Request for Proposal (RFP) to allow vendors to thoroughly evaluate the scope of work and provide a fully responsive proposal, including appropriate pricing and requirements to deliver the desired services. RFP number 017-201805-SK was issued on December 4, 2018. The RFP closed on January 22, 2019, and the County received nine responsive proposals from the following vendors:

- ADP, LLC
- Alight Solutions, LLC
- Buck Global, LLC
- Businessolver.com, Inc.
- Conduent State & Local Solutions, Inc.
- Empyrean Benefits Solutions, Inc.
- Morneau Shepell Limited
- Secova, Inc.
- Web Benefits Design Corporation

RFP Evaluation Process

An RFP evaluation committee was established and consisted of four subject matter experts within HRS/Employee Benefits (HRS/EB) and one HR Manager from another County department with previous benefits experience. A County Deputy Purchasing Agent (DPA) presided over and was in attendance at all committee meetings to monitor the selection process. Due to the highly complex nature of County benefits rules and design, scope of services, as well as customer service and reporting needs, the evaluation committee was comprised of subject matter experts with significant benefits-related experience. The evaluation committee was charged with selecting a proposal that best meets the needs of the County based on the following criteria:

- 1) Organizational Strength, Plan Sponsor and Recordkeeping Services
- 2) Benefits Administration Services

- 3) Participant Services and Communications
- 4) Fees and Guarantees
- 5) Conversion Questions
- 6) Limitations and Caveats; including exceptions to the Model Contract and Scope of Work

The evaluation process consisted of two phases:

Phase I

Each committee member individually evaluated the proposals in accordance with the pre-determined criteria outlined above and independently scored each proposal. The members of the evaluation committee met to discuss their individual observations, comments and scores for each criterion in the proposals. The DPA documented the committee members' scores and established a rank order for the proposals.

Phase II

The six highest scoring vendors were selected as finalists and requested to make a two-hour oral presentation, including a demonstration of their system, and to participate in an interview with the evaluation committee. Following the oral presentations, demonstrations and interviews, the members of the evaluation committee completed the scoring process. See Attachment A for the final scores of each proposal.

RFP Scoring

The table below represents the collaborative scoring effort made by the committee and is the basis for the HRS recommendation. Based on the evaluation results, Alight Solutions, LLC (Alight) received the highest overall evaluation score as shown below.

Final Scores for Proposals:

Alight Solutions	71.76
Morneau Shepell	65.63
Conduent State & Local Solutions	60.18
Businessolver	53.44
Secova	49.51
Empyrean Benefits Solutions	47.90
Buck Global	47.68
ADP	46.83
Web Benefits Design Corporation	24.08

Vendor Information

Alight is an Illinois-based limited liability company established in 2017 when Aon divested its core outsourcing and consumer experience business, formerly known as Hewitt Associates, LLC. Alight is built upon more than 30 years of Human Resources expertise gained from its legacy companies, Hewitt Associates and Aon. The average tenure of Alight's senior leadership is 16 years. As of 2018, Alight serves over 13 million participants, including nearly 1.5 million public sector participants, for 425 clients (8 public and 417 private). Alight offers a technology-forward solution (website, mobile app, chat, virtual assistant (AI chatbot)), creating customer-centric experiences with year-round support for participants, within an integrated network of systems and services that makes it easier for people to navigate programs and

resources as needed. Alight's other public sector clients include the Retiree Medical Benefits Trust for United Automobile Workers (over 460,000 participants), Washington Education Association (over 142,000 participants) and Hillsborough County Public Schools (approximately 27,000 participants). Their largest private sector clients include Target, CVS Health and American Red Cross. Locally, they provide benefits administration services for First American, Core Logic and Pacific Life Insurance.

Implementation/Contract Term/Mid-Contract Update

The competitive and complex nature of this contract, as well as the extensive scope of services, requires vendors to invest a significant amount of time and resources during the implementation phase to conduct discovery, programming and testing prior to the provision of services at Go Live. As a result, HRS is recommending a five-year contract term, following a nine-month implementation period which the vendor will provide at no cost to the County, with two one-year extensions. A typical implementation fee for a contract of this scope averages \$700,000. Alight has waived any up front implementation fee in consideration of a five-year contract term. This represents a significant savings to the County.

HRS will return to the Board of Supervisors (Board) with a formal review of the contract and vendor performance halfway through the initial five-year period. The longer length of the initial contract term allows the vendor to make significant investments of staff time and resources to ensure a thorough and complete implementation process. Additionally, it minimizes the impact to County participants from the significant disruptions involved in vendor transition for these services potentially every three years.

The implementation period for this contract will commence on July 1, 2019, and will take approximately nine months with a targeted production ready date of April 1, 2020. Based on prior experience, and the difficulties experienced in prior implementations starting with Open Enrollment, the transition with Alight will be effective with ongoing services in 2020, so that they will be able to identify and correct any issues with system programming prior to administering Open Enrollment in the fall of 2020. The current vendor will conduct the Open Enrollment in November 2019 for the 2020 plan year and will continue with ongoing services in 2020 until the transition with Alight is complete.

Customer Service

Alight's customer service team servicing the County's account is based in Texas, with additional support from specialists located in Florida and Puerto Rico for specialized inquiries, chat and assistance in Spanish. Multi-lingual support, access to interpreters, access to TTY or equivalent for hearing-impaired individuals and screen reader compliant website for sight-impaired individuals are also available. Alight's customer care team is a designated team, composed of 18-20 customer care representatives, supporting no more than one or two other clients. The designated customer care team will be trained on the County's specific benefits and rules. Additional representatives will be added to the County's account during Open Enrollment, as needed. In addition, Alight will provide designated customer care team managers and customer care client specialists who will handle inquiries and solve eligibility issues; assist with complex escalations; have the ability to conference in carriers to achieve resolution; and conduct Immediate Verification of Coverage for participants on an as needed basis. Participants will have toll-free access to a live customer care representative from 8 a.m. to 6 p.m. Pacific Time, Monday through Friday. Customer satisfaction surveys will be offered to all callers via email after each call to rate and improve service. Alight and HRS/EB staff will participate in regular call calibrations to ensure quality and accuracy of calls. Alight's customer care team model has a proven track record of quality customer care resulting in a guaranteed 93 percent first call resolution.

Participants can utilize the website to process enrollments, access benefits information, utilize single sign-on access to benefits providers, find a provider, check flexible spending accounts, claim reimbursement

status, compare costs of services, as well as obtain general health and wellness information. Additionally, participants will have access to a Virtual Assistant 24 hours per day, seven days per week, 365 days per year. Participants will also have the option of scheduling appointments to speak to a customer care representative at a time that is convenient for them.

Contract Scope and Language

The proposed contract has been negotiated between HRS/EB and Alight. The scope of the contract includes administration of health and welfare benefits; call center and operations support; Affordable Care Act (ACA) tracking, ACA reporting and offers of coverage; leave of absence administration; flexible spending account administration; and various reporting and interfaces as applicable to the services. The proposed contract contains modifications to the County's standard indemnification and insurance language, which has been reviewed and approved by County Counsel and Risk Management. HRS/EB has verified there are no concerns that must be addressed with respect to Contractor's ownership/name, litigation status or conflicts with County interests. This contract includes subcontractors. See Attachment C for information regarding subcontractors and Contract Summary Form. Contractor's data security and disaster recovery protocols have been reviewed and approved by County Counsel and the County's Privacy Officer. Additionally, Alight will maintain Network Security and Privacy Liability insurance with minimum limits of coverage of \$5 million per occurrence and \$10 million aggregate.

Reference checks have been conducted with Retiree Medical Benefits Trust for United Automobile Workers, Washington Education Association, Hillsborough County Public Schools, Commonwealth of Kentucky, State of Florida, Target, CVS Health, American Red Cross, Aramark, US Foods, Arconic, Koch Industries, and Pacific Life Insurance and are satisfactory. The Treasurer-Tax Collector's office has completed a financial review of Alight and deemed them to be acceptable.

This contract, due to the nature of the services, could require the addition of subcontractors. In order to add subcontractor(s) to the contract, the contractor must seek express prior written consent from the County's Project Manager. Should the addition of a subcontractor impact the scope of work and/or contract amount, HRS/EB will bring the item back to the Board for approval.

Performance Guarantees

Alight commits to meeting the County's standards for customer service, responsiveness, accuracy, timeliness and client satisfaction by placing 15 percent of their ongoing fees at risk (\$335,000 per year). Additionally, Alight is the only bidder that offered an additional one-time amount at risk of \$250,000 for implementation guarantees. A complete list of performance guarantees are included in the contract as Attachment F.

Optional Services

Alight's proposal offered optional services that the County may purchase as needed. Such services include audit services, claims and appeals management, health care navigation and advocacy, enhanced services for processing Qualified Medical Child Support Order (QMCSO) and Power of Attorney documents, which include legal reviews currently performed by County Counsel, as well as custom communications. Through the implementation discovery and documentation process with Alight, HRS/EB staff will be able to complete an analysis to determine whether or not it would be more effective and efficient to purchase these services from Alight, perform them using County staff or contract with another vendor for specific services. The contract includes the rates for these optional services should the County elect to implement them with Alight.

County Support for Contracted Benefits Administration Services

Prior to 2003, benefits administration was done internally by County staff. However, as the health and welfare benefits programs became more complex and automation became necessary, it was determined that the in-house model did not provide the most efficient and highest quality benefits administration. For these reasons, the County, as is typical for an employer of the County’s size and complexity, decided to outsource benefits administration services to a company whose core business is investing in these functions, as it was more advantageous financially and provided a higher quality of services.

Benefits outsourcing companies provide their services to hundreds or thousands of clients covering potentially millions of members. As a result, they can invest significant capital into providing the best system and ongoing improvements at a more economical cost by spreading it amongst their many clients. To remain competitive, they invest more frequently in upgrades and they are able to leverage resources among client groups to react quickly to changes, including mandated reporting requirements or changes in the laws surrounding benefits.

Although partnering with a vendor who invests in ongoing technology and service enhancements for all their clients provides value, the County’s health and welfare benefits offered to its employees and retirees, along with unique rules specific to the County, create a complex structure for service delivery that requires the support of HRS/EB staff to closely monitor, provide clarification and direction and ensure that benefits are administered accurately. Through the RFI and RFP process, HRS/EB staff had an opportunity to assess the capability of some of the top vendors in the industry to administer the County’s benefits. After a thorough review of the information submitted by the responders to the RFI, no vendor has the ability to fully administer all aspects of the County’s health and welfare benefits program without assistance from a person or persons within the Employee Benefits Division who have access to County data and personnel and can provide research, review and direction on unique County programs (e.g., Catastrophic Leave Donation Program, Leave of Absence, Employee Married to Employee Program, Retiree Medical Grant Program, etc.). During the implementation and discovery process, HRS/EB will determine which functions require the ongoing support of County staff and will include its recommendation, including specific justification and job duties for a new position, in the FY 2020-21 Budget. Current Limited Term and Extra Help positions being used to support the incumbent vendor and the implementation will expire on or before December 31, 2020.

FINANCIAL IMPACT:

The five-year estimated cost of this contract is \$13,167,500 with an estimated annual cost of \$2,633,500. Costs are offset 100% by benefits administration revenue from the County departments, Courts and Special Districts. Annual Fiscal Year estimates for all services are included below:

FY 2019-20	\$551,200
FY 2020-21	\$2,633,500
FY 2021-22	\$2,633,500
FY 2022-23	\$2,633,500
FY 2023-24	\$2,633,500
FY 2024-25	\$2,082,300

The annual contract estimates above include the various components listed below.

Ongoing core health and welfare standard services	These are monthly variable fees. Fees vary based upon the number of participants.
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Affordable Care Act (ACA) Administration and Reporting Fees	These are ongoing annual fees to complete the required reporting under the mandated provisions of the ACA.
Flexible spending account administration Fees	These are variable fees paid only for those participants who actually enroll in the health care or dependent care reimbursement accounts. These fees include processing of claims as well as the debit card option.
Dependent verifications fees	These are fees for the verification that new added dependents are eligible. These are variable fees based on the number of dependents verified.
Medicare verification fees	These are fees to verify that retirees and dependents who have turned 65 have enrolled and maintained their Medicare Part B. These are variable fees based the number of retirees and dependents verified.
Social Security Number (SSN) audit fees	These are fees for the audit and collection of missing or invalid SSNs. This audit is required under ACA. These are variable fees based upon the number of participants and dependents missing SSNs.
Pass-through fulfillment and postage	These are pass-through of actual costs for printing and postage of enrollment packages, notices, and confirmation statements sent to participants.

The breakdown of the total annual estimated cost is as follows:

Service	Annualized Cost
Health and Welfare core standard fee (varies)	\$2,075,400
ACA Administration (fixed fee)	\$66,500
Flexible Spending Account Administration (varies)	\$99,600
Dependent verification fee (varies)	\$20,100
Medicare verification fee (varies)	\$9,700
SSN audit fee (varies)	\$4,000
Fulfillment and Postage (varies)	\$358,200
Total	\$2,633,500

Although this represents a 53 percent increase over the current costs, the estimated annual cost for Alight is reasonable relative to the other proposals. Alight's proposed cost is second lowest among the top three finalists. It is also less than the \$2.7 million annual cost of the prior Benefits Center Administrator in FY 2015-16 immediately preceding the incumbent.

Appropriations for this Contract are included in the FY 2019-20 Recommended Budget and will be included in the budgeting process for future years.

The Contract contains termination language that allows the County to terminate the contract with cause at any time and without cause on or after April 1, 2023. The contract also contains language that allows the County to renegotiate the fees should the population size change by more than ten percent.

STAFFING IMPACT:

During the implementation and discovery process, HRS/EB will determine which functions require the ongoing support of County staff and will include its recommendation including specific justification and job duties for a new position in the FY 2020-21 Budget. Current Limited Term and Extra Help positions being used to support the incumbent vendor and the implementation will expire on or before December 31, 2020.

ATTACHMENTS:

- Attachment A – Scoring Summary
- Attachment B – Contract with Alight Solutions, LLC
- Attachment C – Contract Summary Form
- Attachment D – Risk Assessment of Modified Terms