



CITY of NOVI CITY COUNCIL

Agenda Item C
March 12, 2012

SUBJECT: Approval of recommendation from the Consultant Review Committee to award a contract for Benefit Plan Consulting and Agent Services to Gallagher Benefit Services for a three-year contract with the option of two one-year renewals effective March 13, 2012.

SUBMITTING DEPARTMENT: Human Resources

CITY MANAGER APPROVAL:

BACKGROUND INFORMATION:

The City has contacted with a benefit plan consultant since the early 1990's. The services provided by this type of consultant include but are not limited to the following:

- Request and receive quotes from healthcare providers for insurance plans for employees of the City of Novi
- Receive, process and negotiate annual healthcare renewal figures
- Prepare annual Employee Healthcare Open Enrollment materials
- Resolve employee healthcare claim concerns
- Assist in resolving healthcare billing errors and concerns
- Provide renewal assistance including requesting quotes for ancillary benefits including dental, long and short-term disability, life and AD&D
- Provide communication on legislative changes to healthcare affecting employers and employees.

Since 2004 the City has been provided these services by the firm of Gallagher, Rains. The City's policy to re-bid consultant services at least every three (3) years has caused the Human Resource Department to request proposals (RFP) for these services.

The City received six (6) Proposals to provide services. A team of evaluators, representing various departments across the City, was charged with reviewing the proposals and scoring each provider on several key criteria, including relevant experience, references, personnel assigned to assist the City of Novi, and completeness of their proposal. Gallagher, Rains came out as the number one choice, with 2560 points, by all four evaluators by a significant margin. The second and third place companies were largely behind with 1560 and 1230 points respectively.

Gallagher has consistently provided us with prompt and professional customer service, as well as a wealth of knowledge concerning the cumbersome and ever-changing field of insurance field. The City has also benefited on numerous occasions by receiving prompt responses from the carriers due to the professional relationship Gallagher has established with them over the years. Based on the recommendation from the Consultant Review Committee at their February 21, 2012

meeting, and the City's experience and satisfaction with Gallagher the recommendation is to enter into a three (3) year contract for services with the option of two one-year renewals.

RECOMMENDED ACTION: Approval of recommendation from the Consultant Review Committee to award a contract for Benefit Plan Consulting and Agent Services to Gallagher Benefit Services for a three-year contract with the option of two one-year renewals effective March 13, 2012.

| | 1 | 2 | Y | N |
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| Mayor Gatt | | | | |
| Mayor Pro Tem Staudt | | | | |
| Council Member Casey | | | | |
| Council Member Fischer | | | | |

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| Council Member Margolis | | | | |
| Council Member Mutch | | | | |
| Council Member Wrobel | | | | |



January 16, 2012

City of Novi
City Clerk's Office
45175 W. Ten Mile Road
Novi, MI 48375-3024

Re: RFP Benefit Plan Consulting and Agent Services

Enclosed please find our response to your RFP Benefit Plan Consulting and Agent Services. We are pleased to offer our best consulting resources and innovative tools to the City of Novi, confident that our historical experience with you, our creativity and resourcefulness are the right combination to help you reach your current and future benefit objectives.

The underlying philosophy of our firm is to provide creative and cost effective employee benefit solutions while also delivering outstanding customer service to you and your employees. Gallagher Benefit Services (GBS) has a long history of providing these types of services to our clients. We recognize that managing employee benefit programs and costs is especially challenging in the current economic climate and we are constantly working to craft innovative and viable solutions unique to each employer group.

We greatly value our relationship with the City of Novi and believe that our association continues to thrive. Over the past few years, we have worked hard to understand your culture and the needs of your employees. We also recognize that benefit programs must evolve and reflect both the needs of the current workforce and the financial realities of the organization.

Our proposal has been structured to follow your specifications and we have included sample work product where appropriate. We are excited about the opportunity to discuss how we can adapt our services, solutions and innovations to exactly meet your needs in 2012 and beyond.

Sincerely,

Kelley A. Demiryau, CEBS
Account Director

Encl.



Gallagher Benefit Services, Inc.

t h i n k i n g a h e a d



RFP Benefit Plan Consulting and Agent Services

Presented by

Gallagher Benefit Services, Inc.

30150 Telegraph Road, Suite 408

Bingham Farms, MI 48025

248.203.0626

January 16, 2012

**CITY OF NOVI
BENEFIT PLAN CONSULTING AND AGENT SERVICES
QUESTIONNAIRE**

PROPOSER'S MUST PROVIDE A WRITTEN RESPONSE TO EACH QUESTION AND SUBMIT AS PART OF THEIR TECHNICAL PROPOSAL. DO NOT INCLUDE ANY FEES IN THIS DOCUMENT.

COMPANY: Gallagher Benefit Services

1. When was your organization established/founded?

Our parent company, Arthur J. Gallagher, was founded in 1927. The employee benefits division, Gallagher Benefit Services (GBS), was established in the 1960s and has been providing innovative consulting expertise since that time. GBS has been operating in Michigan since the early 1990s and currently has three employee benefit offices in the state (Bingham Farms, Grand Rapids and St. Clair Shores).

- 2. Business structure:**
- | | |
|--|--------------------------------------|
| Corporation X | S Corp <input type="checkbox"/> |
| LLC <input type="checkbox"/> | Partnership <input type="checkbox"/> |
| Sole Proprietor <input type="checkbox"/> | Other |

3. How long has your organization offered group employee benefit services?

GBS has been providing group employee benefit consulting services for more than 50 years, including nearly 20 years in the Michigan marketplace.

4. What is the geographic area of operations by your firm?

Our three Michigan offices primarily service client organizations that are based in Michigan, although we do service a small number of organizations headquartered outside of the state. Many of our clients have operations and employees/retirees in other states and even other countries that we also service. Our network of offices throughout the country gives us the ability to understand regional variances in benefit trends and to effectively service clients operating in multiple locations.

5. What products and services are offered by your firm?

The Michigan offices focus on health and welfare benefits consulting and brokerage services. As such, we consult in all areas of benefit planning, design, funding and administration for group healthcare, dental, vision, life, disability and other welfare benefit programs. We also assist employers with ancillary programs, such as flexible spending account administration, COBRA/HIPAA administration, health reimbursement accounts and health savings accounts. We have benefit outsourcing resources and can also provide solutions for retiree carve-out programs. More specifically, GBS provides the following services:

- **Strategic Planning** – Including a full review of current benefit plan design and funding. When considering alternative plans, we review the competitive environment, the current and expected future financial state, the organization’s culture and goals, and internal and external equity issues. We develop client-specific plans for the short-term and long-term.
- **Financial Analysis** – Including claim cost review, future cost projections, alternative plan design cost modeling and contribution modeling.
- **Market Review, Competitive Bidding and Vendor Management** – We take the lead in managing relationships with your various insurance carriers. We analyze carrier capabilities and product offerings and do competitive bidding as appropriate, given bargaining constraints and legislative requirements.
- **Employee Communication** – Through a variety of media, we provide communication assistance to your employees and retirees to help them understand their benefits, choices and responsibilities. We also work with your vendors to ensure employees have access to all of their benefit resources.
- **Employer Education** – We have a series of educational materials that are offered to our clients throughout the year, including electronic newsletters, live seminars and webinars. We also develop topic-specific programs that employers can offer to groups of employees (e.g., retirement healthcare options, HIPAA compliance training, etc.).
- **Regulatory Compliance** – Our team of compliance attorneys and specialists focus on keeping clients up to date on federal and local issues that impact them. Our attorneys send out regular compliance updates and are available to meet with our clients and answer their questions as they are needed. We have a full-time compliance specialist located in the Bingham Farms office who is also available to meet with clients on compliance issues.
- **Day to Day Service** – From handling billing problems to getting involved in employee claim resolution, we serve as your partner on a daily basis. We want your employees to know us and feel comfortable asking for our help. Our claim advocate is the main point of contact for this service, but other team members are also available to resolve issues quickly and correctly.
- **Regional Resources** – You will have access to additional resources within GBS, including our wellness director, our pharmacy director, underwriters and voluntary benefit specialists. In addition, we offer consulting expertise in retirement planning and administration, executive benefits, voluntary benefits, international benefits and full human resources consulting.

6. How many people are employed at your organization? Full time? Part time?

Our Michigan employee benefits practice has 55 employees located in three offices. 53 of these employees are currently working on a full-time basis while two work part-time.

On a national basis, GBS employs more than 1,400 benefit professionals.

7. How many of these employees are dedicated to group health and welfare benefits?

All 55 employees in Michigan work exclusively in the group health and welfare benefit practice. The team members who specialize in wellness, retirement and other benefit practice areas are located in other offices within our north central region.

8. Of those working in group health and welfare, how many work in the following categories or disciplines?

8.1. Admin and other support? We have 8 full-time employees working in an administrative/support role.

8.2. Sales? We have 11 team leaders who are jointly responsible for managing sales opportunities and for leading client service teams.

8.3. Customer Service? The remaining 36 employees provide client service as Account Managers, Account Coordinators or Benefit Analysts.

9. Provide the following information for each of the associates who will be assigned to the City account:**9.1. Names, biography, job description and the client responsibilities.**

The day to day team assigned to the City of Novi includes:

Kelley Demiryar – Account Director

Nicole Lee – Account Manager

Pam Shaughnessy – Benefit Analyst

Julie James – Claim Advocate

Team biographies are included in the appendix. We have also included a brief biography of two supporting team members in our home office who work closely with the Novi account team. A brief summary of each team member's responsibilities follows.

Account Director – This is the team leader and the person responsible for overall client management and client satisfaction. Specific responsibilities for this position include:

- Strategic planning
- Benefit plan review, benchmarking and recommendations
- Carrier evaluations
- Financial analysis and reporting
- Renewal analysis and negotiation
- Oversight of other team members
- Ensuring legal compliance

Account Manager – The account manager leads the day to day servicing efforts and is the liaison between the client and the vendors. Primary responsibilities include:

- Open enrollment management, including developing custom employee communication materials, employee meetings, eligibility management and contract updates
- Ongoing employee education efforts throughout the year
- Legal and regulatory support
- Service management (claim resolution, billing issues, coverage transfers)
- Wellness plan coordination and communication

Benefit Analyst – The analyst for each team is primarily responsible for financial support. This includes:

- Maintaining updated client records
- Creation of financial reports
- Interface with the regional underwriting team
- Preparation of requests for proposal and comparative analysis
- Renewal analysis and negotiation

Claim Advocate – This team member has primary responsibility for working with employees and family members to resolve claim disputes. The claim advocate:

- Is available to both the client's human resources staff and the covered employees and family members
- Has contact with members' providers and insurance companies to uncover the details surrounding a claim problem
- Will work toward a successful resolution of each claim situation
- Can assist retirees with questions about Medicare coordination

9.2. Client names served by these individuals, industry of the client, # of employees.

To maintain the confidentiality of our clients, we have not provided their names in this proposal, although we have indicated industry and number of employees. We can provide additional client information to you if we are selected as a finalist candidate.

| Client Industry | Employee Count |
|---------------------------|----------------------------|
| Contract Staffing | 200 employees |
| Community College | 195 employees |
| Pest Control | 250 employees and retirees |
| Physician Group | 220 employees |
| Municipality | 850 employees and retirees |
| Municipality | 120 employees and retirees |
| Municipality | 240 employees and retirees |
| Non-Profit Organization | 300 employees |
| Non-Profit Organization | 140 employees |
| Manufacturing | 3,000 employees |
| Manufacturing | 700 employees |
| Higher Education | 250 employees |
| Retirement Community | 400 employees |
| Investment Management | 150 employees |
| Charter School Management | 125 employees |
| Public Utility | 160 employees & retirees |
| Computer Consulting | 140 employees |

10. What process do you use to select, hire and retain high quality employees? How do you assure that we will have a motivated and well-trained and supported staff dedicated to us?

When recruiting client-facing team members, we look for people with extensive employee benefits experience. Our team members come from many different backgrounds, including underwriting, sales, claims and account administration. All prospective employees must complete a series of Plante & Moran skills, interests and personality assessments before being hired. These assessments have been reliable in determining which prospective employees have a high probability of succeeding in our business.

Once hired, employees have many opportunities for continuous learning and to upgrade skills. All client-facing team members are required to keep current on insurance licensing continuing education requirements by the State of Michigan. Our corporate office mandates periodic training for all employees (2011 topics included HIPAA compliance, healthcare reform and business ethics). GBS also offers all employees a library of online courses that can be taken at any time. In each branch office throughout the country, there are numerous internal trainings conducted throughout the year. GBS is also supportive of outside learning opportunities through a generous tuition support program.

All employees are evaluated at least annually and a key part of the review process is client satisfaction. Client-facing team members have a variable component to their

compensation that is tied to client satisfaction and retention, helping to ensure that our clients remain the central focus of our organization. Each year, we ask our clients to complete a satisfaction survey and we evaluate all aspects of the service we provide. Our 2011 survey indicated that more than 99 percent of our clients would recommend us to others.

11. List the clients for whom you serve on a comprehensive basis in the area of health and welfare plan design and management (e.g., employment of all organization resources on a full service basis. Be sure to include all government/municipal clients).

The team assigned to the City of Novi provides the full range of welfare benefit consulting services described in question 5 above to all of the clients listed in the chart in question 9. In addition, some of these clients have used additional GBS services, such as retirement planning or compensation consulting.

Other teams in our office completed project work for approximately 20 public entity clients in 2011 with whom we do not have an ongoing consulting relationship and for whom we do not provide comprehensive health and welfare services. Except for these assignments, we provide the full scope of services to all of our other clients.

12. What is the largest single contract this firm has held (annual figure)?

The largest single client contract we have held represents approximately \$400,000 in annual revenue. This organization has been a client of GBS for more than 10 years.

13. What is your 'controlled' client retention rate?

For 2011, our controlled client retention rate was 97.3%.

14. Categorize the organizations you service in the area of health and welfare plan management:

| <u>Number of Employees</u> | <u>Number of Clients</u> |
|----------------------------|--------------------------|
| 0-49 | 92 |
| 50-99 | 107 |
| 100-249 | 81 |
| 250-499 | 47 |
| 500-999 | 51 |
| 1000+ | 32 |

15. Does your organization agree to cooperate and ensure successful interface of all City of Novi data relating to health and welfare plan management (including HIPAA subject personally identifiable health information) with an outside vendor?

Yes, we agree to cooperate and ensure successful welfare benefit plan data interface between the City of Novi and outside vendors in a fully HIPAA-compliant manner. GBS takes HIPAA compliance very seriously and has put systems and safeguards in place to ensure secure handling of protected health information (PHI). Our staff members are required to take HIPAA update training each year to make sure team members understand the requirements. We also require Business Associate Agreements from all vendor partners who handle PHI for our clients.

16. Provide a list of all Health Care Providers your firm currently deals with on a regular basis along with the number of group accounts you handle for each one.

The health care providers our clients use most frequently include:

| | |
|------------------------------------|-----|
| Blue Cross Blue Shield of Michigan | 188 |
| Blue Care Network | 74 |
| Health Alliance Plan | 32 |
| Priority Health | 44 |
| Aetna | 7 |
| CIGNA | 14 |
| United Healthcare | 8 |

17. Does your firm have any experience with the Municipal 'Employees' Retirement System (MERS)? Please describe.

Many of our clients use MERS for retirement plan services but not welfare benefit plan services. As such, our involvement with MERS as a service provider is very limited. However, GBS is currently the employee benefit broker/consultant for MERS.

18. For each item below, in 250 words or less, please describe your organization's experience working with governmental entities/schools districts/etc. Include experiences with represented and non-represented staff.

We have worked with many public employers over the years, both in Michigan and nationally. GBS has an entire practice group dedicated to public entities and scholastic groups and we have developed expertise in this niche market.

18.1. Employee communications and education. We have always provided traditional communication services to both represented and non-represented employees for our public clients and we continue to do so. This includes development of customized newsletters and web content, in person meetings, DVDs and webinar trainings. In the past two years, many of our public clients have negotiated fairly significant changes in plan design, contribution structure and carriers, which has necessitated additional communication work. Some of this has been through written communications, but much of it has been through old-fashioned small group meetings where we present an overview of the changes, then answer questions about what this means for employees. We provide comparative data so they can easily see how a vendor change affects them in terms of provider access but also how they might be able to save money by considering a new plan choice. The goal is to ensure they have as much information as possible to make an informed decision. We also provide direct access for employees to contact us after these meetings so we can address follow-up or personal questions. We have found that giving employees a forum to vent but also to learn has been helpful in getting employees transitioned to their new benefit plans.

18.2. Financial analysis. Financial analysis is always an important part of benefit planning, and has become even more so for public entities in a post-Public Act 152 world here in Michigan. For clients that became subject to PA 152 almost

immediately, the first analysis was focused on comparing contributions under the hard cap and the 80/20 cost sharing scenarios and on determining the best short-term course of action. Looking ahead, we will be working with our clients to consider the longer term implications and how contributions might look three to five years into the future, assuming the hard cap amount will increase at a lower rate than traditional healthcare trend. We will also be developing models for re-aggregating the hard cap to make it more appropriate for a given client.

Other types of analysis depend on the availability of data for each plan. With the current carrier structure, we are able to get a fair amount of claim detail from BCBS, some detail from HAP and no detail from Priority Health. We use the information from BCBS and HAP to develop an annual claim review report which looks at utilization and can provide insight into areas for possible plan modifications. For example, based on previous prescription drug utilization patterns, the City implemented a prior authorization/step therapy program aimed at managing utilization in an area where costs have increased greatly over the past several years. This change provided immediate premium relief while also putting in place a cost control mechanism that has lasting impact.

18.3. Vendor evaluation. In light of recent legislation impacting employee contributions to healthcare costs, we have seen more interest than ever before in exploring new carrier and plan designs that might offer plan savings. Historically, public employers have been tied closely to one major carrier, but other local carriers have been investing heavily in network expansion and product development and now offer alternative programs that employers and employees want to consider. In addition to comparing plan features and costs for each carrier, we can provide network studies that address access and disruption if a carrier change is made.

The local carriers are at different stages with regard to wellness and other supplemental services they offer to clients and we will analyze those services as part of a vendor evaluation so you understand the full package of services you are buying.

18.4. Plan administration. We meet with our clients frequently to ensure smooth ongoing administration of their plans. Some of these meetings are recurring each year (e.g., pre-renewal planning, annual claim review) while others are scheduled as needed. Some of the topics for meetings we have held in the last two years with the City of Novi include:

- Annual claim/financial review
- Renewal planning
- Meetings with union leadership to review retiree healthcare options
- Meetings with retirees to answer questions related to Medicare and open enrollment
- Update on healthcare reform and compliance
- Strategy to address PA 152
- Meetings to discuss wellness programs
- Meetings to introduce new high deductible health plan through Priority Health
- Participation in employee benefit fairs
- Open enrollment meetings
- Participation in carrier meetings

In addition, we spend time on the phone with your employees and retirees as well as with the Human Resources team members to make sure questions are being answered timely and correctly and that the plans run smoothly.

18.5. Regulatory review and compliance. We offer many resources to ensure our clients remain in compliance with federal and local statutes. We provide a series of electronic newsletter communications throughout the year, authored by our compliance attorneys and specialists. We recognize that our clients receive these types of communications from many sources and that they are often written in a technical manner not always easy to understand. Our local team follows up with clients after these communications are sent out whenever the client needs to make a decision or take some other action to ensure compliance. Our goal is to make these educational tools relevant and easy to use rather than just another big stack of paper in the pile.

Our compliance seminars address current topics and provide practical tips employers can really use. These are interactive sessions with opportunities to ask questions and share ideas with peer groups. Our webinar series covers a variety of topics and the entire library of presentations is available to clients on demand at the GBS website.

In 2010 and 2011, a great deal of our focus was on healthcare reform and we continue to provide updates on this vast topic. We developed a custom healthcare reform overview presentation for every one of our clients and presented them early in 2010 to make employers aware of the highest priority issues to address and other issues that were less time sensitive. As the law has evolved, we continue to provide timely and relevant updates to our clients.

18.6. Wellness Services. Over the last few years, we have seen a definite increase in the number and type of wellness initiatives clients are offering to employees. Most organizations are interested in having some type of wellness program in place, but many face financial challenges that do not allow an additional budget for this service. Our account teams have identified several free and low-cost programs that are available through the carriers or in the local community. We have a full-time wellness director at GBS and she is available to help clients strategize, develop programs and assist in vendor selection.

One trend we have seen more recently is the movement from voluntary, incentive-based programs to more mandatory and outcomes-based programs. Employers have seen that totally voluntary programs tend to attract employees who are already leading healthy lifestyles and there is little movement among the population that most needs improvement. Through plan design and contribution strategies, employers are gradually moving in a direction where employees will be accountable for their lifestyle choices and habits and will pay a higher price. This movement is less prevalent in the public sector right now, but it is an industry trend that is expected to continue and grow. Each of the major insurance carriers in southeast Michigan has developed wellness-based plan designs and enrollment is growing for each carrier.

18.7. Other services. As previously stated in this proposal, GBS offers services that go beyond traditional health and welfare consulting. Our practice groups include retirement plan consulting, compensation and human resource consulting, executive planning, voluntary benefits, outsourcing and international benefits consulting. Our team members have backgrounds in pharmacy benefit management, wellness, organizational development and training, underwriting, sales, claims and many other areas. Our parent company, Arthur J. Gallagher, offers a full range of property/casualty and risk management services. We have tools and resources available to address a variety of business needs. If the City of Novi has a need for any of these services, they will be coordinated through the local account team.

19. Describe your service approach.

Service is an integral part of the GBS culture. We are focused on providing a consistently high level of service to every client and that commitment is seen at every level within our organization. While we have a number of internal processes designed to make the work flow smoothly and efficiently, we never get so tied down to the processes that we forget why they are in place – to serve the clients’ best interests.

We recognize that while some clients share similar characteristics, they are all unique in some way and we need to be able to address that with custom solutions and resources. While each client has an assigned service team, those teams interact internally all the time to share best practices and creative ideas. So, in a sense, our clients have 11 full-time service teams working for them.

The team leader and account manager are the primary contacts in coordinating service to the City of Novi and pull in resources as they are needed. We work closely with the human resources team, but we always appreciate the opportunity to interface with employees throughout the organization so we can get a 360-degree view of the City’s operations.

Our 2011 client satisfaction survey indicates that more than 99 percent of our clients would recommend us to other people they know. We want our clients to know that we are on their team and always working in their best interests.

20. Please provide three client references for accounts similar in size to the City. Please include company name, address, contact name, & phone number.

| | | |
|---|--|---|
| <p>City of Southfield Ms. Lauri Siskind, Acting Director of Human Resources 26000 Evergreen Road Southfield, MI 48076 (248) 796-4708</p> | <p>Muskegon Community College Ms. Beda Dubois, Employment Services Manager 221 S. Quarterline Road Muskegon, MI 49442 (231) 777-0355</p> | <p>Ypsilanti Community Utilities Authority Ms. Gwyn Belcher, Director of Administrative Services 2777 State Road Ypsilanti, MI 48198 (734) 484-4600, x 118</p> |
|---|--|---|

21. Does your organization offer national, regional and local benchmarking statistics for employee contributions, benefit costs, etc.? Describe.

We have extensive benchmarking resources available to the City of Novi. At the beginning of each year, GBS of Michigan produces a local benchmarking study that analyzes healthcare plan benefits, costs and employee contributions. The data is available by employer size, by industry, by funding type and by union/non-union status. We have found a local benchmarking study to be advantageous for our clients because regional and national surveys often do not capture the unique aspects of Michigan benefit plans. Because GBS works with a large number of public sector employers, the benchmark data we produce for that industry segment is meaningful and specific.

We do have regional and national benchmark data available as well, some of which is proprietary to GBS and some of which is through nationally published survey data.

22. Describe the process by which your organization disseminates information about legislative and regulatory requirements and changes to your clients. Provide several samples reflecting timely articles/items of interest.

GBS has extensive legal and regulatory resources available to our clients. First, we have a staff of compliance attorneys who are available to our consulting team as well as to our clients to address specific questions as they occur. The attorneys, backed up by other compliance specialists, regularly produce a series of written bulletins on legal topics that are disseminated to our clients to keep them apprised of regulatory developments. In addition, we offer regular webinars on various compliance topics. These webinars are available on demand via the GBS website for clients who cannot participate in the live event. Finally, we offer periodic seminars locally and throughout the state on current compliance topics. We also can develop client-specific training materials where there is a need. For example, if a client wanted to re-train staff members on HIPAA compliance, we can organize small group workshops for this purpose.

23. Does your organization publish newsletters or other descriptive publications that are routinely provided to your clients? Provide several recent samples reflecting timely examples/content of interest.

We offer several different types of employer educational materials to our clients, as described below:

Technical Bulletins – these bulletins are produced periodically to provide information on federal or local legislative updates that impact employers. They are not produced with a specific frequency; rather, they are published whenever a new law is passed or regulatory guidance is issued.

Healthcare Reform Bulletins – we developed these publications to focus on healthcare reform topics exclusively. We have issued several dozen since the passage of the PPACA and continue to send them out regularly.

Directions Newsletter – this publication comes out monthly and provides updates on many human resources issues, not just welfare benefit plans. You will see information about pension plans, compensation updates and other topics of interest.

All of these bulletins are automatically emailed to clients as they are issued. Samples of each can be found in the appendix.

24. Does your organization have access to surveys of major employers to determine trends in benefit plans and their administration? Describe the resources utilized.

We have access to survey data from many sources, including the Society for Human Resource Management and the International Foundation of Employee Benefit Plans. In addition, we have access to nationally published survey data from all of the major employee benefit consulting firms. GBS is involved with several different industry associations and we periodically obtain survey data from these sources as well.

25. Is the broker/consultant who would be assigned to our account available for strategic planning meetings with our benefits staff on a periodic basis? With senior management? With bargaining group leadership?

Kelley Demiryran and Nicole Lee are both available for strategic planning sessions with the Human Resources team, the city management team and bargaining group leadership. We will prepare information about historical utilization and provide updates on industry and carrier trends as well as new products available in the local marketplace. We will also include financial reports and forecasts of future costs. We are happy to serve as a resource to union leadership as you deem appropriate.

We can also make available additional resources from within GBS, such as our compliance attorneys, dedicated wellness program director or our pharmacy director.

26. How do you define, track, and pursue 'best practices' in the industry among governmental/muni/school district clients?

GBS is a national leader in providing benefit solutions to public sector employers. We have a dedicated practice group in this area and many colleagues throughout the country who work exclusively in this sector. Here in Michigan, we have helped more than 100 public employers to effectively manage their benefit programs.

In the welfare benefits world, best practices might be defined as plan design, funding or administrative features that drive toward:

- Improved efficiency
- Satisfactory cost levels
- Member accountability
- Internal and external equity
- Employee satisfaction and productivity

We routinely share best practice success stories with other members of the public entity practice group through postings on our intranet site, periodic webinars and annual meetings. The leadership team for this practice group sends out communications to all members of the practice group to keep us informed about new programs being developed in other branch offices, carrier initiatives, legislation and other things that impact public sector employers. This leadership team is also actively involved with various national industry groups, such as NPELRA and GFOA (and similar groups at the state level) so we can stay close to the concerns of

public employers and look for opportunities to offer them creative solutions, such as cooperative purchasing and employee benefit pooling plans.

27. In the event your company is chosen to provide services for the City of Novi, please describe the implementation plan and process that will be taken to get us started as a client.

We propose to begin this new year with a review of 2011 activity and financial results and a strategic planning session where we outline goals and objectives for 2012. Typically, this meeting happens in February and lays the groundwork for the remainder of the year. We will consider all current benefit programs and any others that we might want to introduce in 2012.

We will also consider legislative requirements and develop our plan to ensure compliance (e.g., P.A. 106 competitive bidding that will happen in the late summer/early fall). We will develop a mutually agreed upon timeline and line up the necessary resources to accomplish all tasks.

28. Identify the employee benefit services you will be providing to the City of Novi based on our specifications.

Based on this RFP, we will provide full health and welfare benefit consulting services to the City of Novi related to all current and future benefit plans for active and retired employees. This includes:

- Strategic planning
- Plan review, recommendations for current or future changes, benchmarking and trend consultation
- Competitive bidding of benefit programs
- Financial analysis of current or proposed benefit plans, plan design and contribution modeling
- Claim analysis
- Vendor management
- Employer and employee education
- Legal and regulatory compliance support
- Claim advocacy services for employees and retirees
- Wellness plan design and implementation
- Day to day service support and partnership

We will continue to work as your partner and an integral part of your human resources team.

29. Describe your Open Enrollment process, including materials provided to employees?

Our clients have various approaches to open enrollment and we work with each one individually to determine what will work best. Some employers like to do everything electronically and advise employees to go to a benefit website, download the appropriate materials and make their elections online. Others prefer to hold mandatory employee education meetings with lots of handouts and forms to be completed. Most others are somewhere in the middle, using a mix of written communications, some live meetings and minimal paperwork. We can accommodate all of these approaches and will take the lead in designing all the communication materials for employees. We will conduct

meetings as needed and will be available to take calls from employees who may need extra help. We coordinate with the carriers to ensure their requirements are being met for eligibility updates and follow through to make sure ID cards are delivered and billings are updated.

30. Describe how you will communicate/deliver information to our employees. Please submit a sample copy of several recent employee communication materials. Include items such as open enrollment package, educational materials, wellness initiatives, forms, monthly newsletters, etc.

We communicate with employees in a number of different ways. We use traditional written communications, such as newsletters, flyers and memos. We offer in-person meetings, in small group settings and sometimes individually, as appropriate. We create web content for employers who like to direct employees to intranet sites. We use webinar technology for remote employees or employees who work alternative shifts. We are exploring the use of social media to further our capabilities.

We work with each employer to develop a communication strategy that is unique and relevant to them. Many employers like to develop a specific brand/look for all of their communications and we have graphic design capabilities to support these efforts. Sample communication pieces are included in the appendix.

31. What executive reporting services does your organization offer?

There are a number of reports we offer to our clients and the content and frequency can be customized to the City of Novi (some reporting is limited by the ability to obtain data from carriers). These include:

- Annual claim utilization review and demographic analysis
- Monthly paid premium and cost report for experience-rated plans
- Monthly claim cost to budget analysis for self-funded plans
- Pre-renewal analysis for experience-rated and self-funded health plans
- Benchmark reports
- Incurred by not reported reserve analysis for self-funded plans
- Provider network disruption studies
- Budget forecasts
- Alternative plan design and employee contribution modeling

32. What methods will you utilize to help evaluate and improve population health?

There are a number of tools the City can use to evaluate and improve population health and your specific approach will depend on the following factors:

- Level of employee interest and motivation
- Support of key stakeholders (City management, union leadership)
- Budget allocated to wellness initiatives
- Balance of incentives/disincentives (carrot vs. stick)

A good starting point is establishing a baseline of where the population is currently at from an overall health and lifestyle habits perspective. Use of a health risk appraisal questionnaire is often helpful in establishing this baseline. Even more useful is obtaining biometric data from employees so we can accurately assess the presence of risk factors

in the population. Each of the City's current healthcare vendors offers an online risk appraisal with an immediate feedback report to the member. The City can receive aggregate data as long as a minimum number of members complete the appraisal. The vendors also offer resources to do on-site biometric screenings and will provide individual feedback reports as well as aggregate data to the City. To be successful in getting a good rate of participation, organizations often use some type of financial incentive (e.g., discount off of a payroll contribution, small cash bonus, gift card). Other employers just require participation in the screening as a condition of enrolling in the healthcare plan – although this approach would not be feasible for the City at this point.

Once you know what risk factors are present in your population, you can start to develop your action plan to address and improve them. Population health management programs are most effective when they are planned out through a collaborative effort involving employees from throughout the organization, rather than using a top down approach. We usually recommend setting up a wellness committee that includes employees representing various interests (e.g., members from the different bargaining units, some non-represented employees, some management). There should be a frank discussion of why the City is embarking on a wellness initiative – whether it's to improve health and productivity, save money, or something else entirely, it should be clear what the overall objective is.

GBS can facilitate the initial meetings of the wellness committee and we will explore topics like:

- What is in this for employees who participate? What do they gain? What will they lose if they don't participate?
- What types of activities can we realistically expect employees to participate in?
- What are the barriers to a high level of participation (facilities not being in close proximity, varying work schedules, distrust, etc.)?
- Do we want to conduct an interest survey of all employees?
- How do we prioritize the various program elements we decide to offer?

Once the committee has some direction, we can start working on roll-out. We will work with your team to determine how to maximize the resources available through current vendors. We can also determine if additional resources are needed and the best way to obtain them at the lowest cost.

Population health management programs don't really have an end date. They are ongoing efforts to continue to engage employees in health improvement activities and to ultimately make them accountable for the choices they make. Every employer's program is a little different and we see varying rates of success. We will work with the City to develop a program that is appropriate to your culture and your budget.

33. Describe in detail what steps are taken to evaluate vendor capabilities.

When we develop a request for proposal (RFP) for a client, we outline exactly what we want the vendor to provide. We require a written confirmation that the vendor will match our specifications, with any variances clearly noted. Upon receipt of a proposal, we review the vendor's capabilities in light of:

- The timeliness, completeness and accuracy of the proposal
- Our previous experiences with the vendor

- Reference checks
- On-site visits to the vendor's office, claim office or other appropriate locations
- Vendor's willingness to enter into appropriate performance guarantees
- Proposals from other competitors

Finalist vendors are often asked to make presentations to the client and the GBS service team before final selection is made. Our national network of offices can provide valuable feedback to us on vendors with whom we have not previously done business in the local offices.

34. How do you assess and measure your current vendor relationships?

We are in regular contact with all of the major vendors and have frequent partnership meetings with many of them. These meetings include sales and marketing staff members, but also include underwriters, pharmacists, product specialists and subject matter experts who educate us about new product offerings, underwriting and administrative changes and other things that might impact our clients. Through these interactions, we are able to measure one vendor against another in terms of product offerings, pricing strategies, etc.

Our team leaders meet internally each week and share relevant news about local vendors. Additionally, the account managers and benefit analysts meet with their peers regularly and share their experiences. Positive and negative experiences are shared among the entire GBS Michigan team.

Locally and nationally, our management team maintains high level contacts with all the major carriers and we use those relationships to the benefit of our clients. In Michigan, our team members sit on the agent advisory boards for most local carriers and that helps us to assess developments with each company.

Nationally, GBS monitors the financial strength of each insurance carrier and notifies the branch offices of any carrier whose ratings have declined so we can share that information with affected clients.

35. What action plans are used to ensure continuity of coverage?

In the event of a carrier change, we have processes in place to ensure that there is no gap in coverage and that no employee "falls between the cracks." Most of this happens while negotiating terms with the new carrier and securing their written commitment that no employee will lose anything as a result of making a carrier change. Careful review of proposal and contract language to ensure comparability of provisions is also critical.

The account manager will meet with your Human Resources team to review the status of all employees, particularly those who are not expected to be actively at work on the effective date of the carrier change. In some cases, the carrier being terminated retains liability for claims incurred by those individuals. We will make sure we have identified which carriers are responsible for all employees in advance of actually making the change.

36. Please identify your organization's philosophy and strategies as they relate to controlling escalating prescription drug expenses.

An organization's ability to effectively manage prescription drug costs depends on certain factors, including:

1. Limits imposed by bargaining agreements
2. The plan's funding method and the carriers being used
3. The demographics of the employee population
4. The presence of various disease states

There are many cost management techniques that can be explored to determine whether they are a fit for the City. Some of these include:

- Use of formularies that restrict access to certain drugs
- Use of smaller, more tightly controlled networks
- Mandatory prior authorization of all specialty drugs
- Mandatory generic utilization with no opt out for physician-indicated "dispense as written" instructions
- Accessing patient copayment assistance programs where available
- Copayment structures that limit a member's ability to use manufacturer coupons if they steer toward brand drug usage

Over the last few years, the availability of new generic alternatives for expensive brand drugs has helped to moderate prescription drug trend. But we are now seeing a shift among drug manufacturers away from looking for the newest blockbuster brand name drug to development of specialty niche drugs. These drugs will be potentially life-changing for some patients but will carry a huge price tag. So it's more important than ever to effectively manage the normal utilization of generic and brand drugs, but critical to get a handle on management of specialty drugs. We help our clients to evaluate their alternatives and to put the best cost management techniques possible in place for them.

37. Describe your compliance advisory process. Explain your ability to monitor regulatory and legislative developments in such areas as ADA, FMLA, HIPAA, IRS Code Section 125, COBRA and other benefit compliance issues including statutes, rules and regulations on the federal and state level that may impact the benefits we provide, etc.

We have a national compliance practice that exists solely to monitor legal and regulatory changes that impact employee benefit plans. This team is made up of compliance attorneys and other specialists with years of experience in this area. They maintain contacts with various government agencies and keep in touch regularly to ensure we are getting the most timely information that we can pass on to our clients. They provide us with written technical guidance as well as educational seminars and webinars. They are just a phone call away from our internal team members and are also available to meet with clients to help them navigate these often complex issues.

38. How are you going to reduce our costs?

The ability to immediately impact premium costs is somewhat limited by the terms of existing bargaining agreements that designate certain plan benefit levels and carriers. However, we will continue to explore alternative benefit plan designs and carriers that

offer reduced premium costs to benefit both the City and the employee (through reduced payroll contributions). The key to employee acceptance of these alternative plans is a solid education/communication campaign so they feel comfortable moving away from a plan that has been familiar and comfortable. We have a great deal of experience with this and will continue to be a resource to your employees.

When thinking about ways to reduce health plan costs, strategies tend to fall into one of four categories:

- Eligibility management – How can you limit financial exposure to the plan by more strictly managing who is eligible to be covered. Consider strategies for both active and retired employees.
- Benefit plan design – Moving beyond traditional cost sharing (deductible, coinsurance limits), are there features in the plan that serve to make sure members are accessing care appropriately (e.g., use of primary care physician as a true gatekeeper, managed access to high tech imaging services, managed pharmacy).
- Equity in Employee Contributions – Are there alternative approaches that should be considered rather than just a uniform percentage of premium. For example, should contributions be tied to family size or participation in a wellness program?
- Appropriate Vendor Selection – Are you working with the vendors that can offer the best network access at the best price. Are these also the vendors that are making the most progress in working with providers to improve health outcomes and ultimately costs?

We will work with the City to explore these ideas and any others that may be feasible to help manage healthcare costs.

THE FOREGOING QUESTIONNAIRE IS A TRUE STATEMENT OF FACTS:

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