

City of Providence

STATE OF RHODE ISLAND AND PROVIDENCE PLANTATIONS

RESOLUTION OF THE CITY COUNCIL

No. 504

EFFECTIVE november 17, 2014

RESOLVED, That the Members of the Providence City Council hereby Authorize Approval of the following One Year Contract Extension by the Board of Contract and Supply, in accordance with Section 21-26 of the Code of Ordinances.

Mercer Health & Benefits, LLC \$330,000.00
(Human Resources)

IN CITY COUNCIL

NOV 06 2014

READ AND PASSED

[Signature]
PRES.

[Signature]
CLERK
ACTING

Effective without the Mayor's Signature

[Signature]
Lori L. Hagen
City Clerk
ACTING

MATTHEW M. CLARKIN, JR.
INTERNAL AUDITOR
25 DORRANCE STREET, ROOM #307
PROVIDENCE, RI 02903
Phone: (401) 421-7740 EXT. 577
Fax: (401) 351-1056
mclarkin@providenceri.com



City of Providence, Rhode Island Office of the Internal Auditor

October 2, 2014

Ms. Lori Hagen
City Clerk
City of Providence
25 Dorrance Street
Providence, RI 02903

Dear Ms. Hagen:

In accordance with Section 21-26 of the City's Code of Ordinances, I am writing to request that the following requested contract awards be submitted to the City Council and the Ways & Means Committee.

- *Human Resources* – Approval of a three-year extension to the contract with Delta Dental of Rhode Island for employee dental insurance.
- *Human Resources* – Approval of three-year extension to the contract with Blue Cross Blue Shield of Rhode Island for the administration of the city's health insurance program.
- *Human Resources* – Approval of an amendment to the contract with Mercer Health & Benefits, LLC, the city's current health and benefits consulting firm, from a one-year agreement to a three-year agreement at an annual cost of \$330,000.

If you have any questions or concerns regarding any of these items, please contact me. Thank you for your consideration with this matter.

Sincerely,

A handwritten signature in black ink, appearing to read "Matthew M. Clarkin, Jr.", written over a horizontal line.

Matthew M. Clarkin, Jr.
Internal Auditor

Cc: Alan Sepe, Director of Operations
Francisco Ramirez, Director of Purchasing
Yvonne Graf – Chief of Staff – City Council
Jim Lombardi, City Treasurer



CITY OF PROVIDENCE
Angel Taveras, Mayor

October 1, 2014

The Honorable Angel Taveras
Chairman, Board of Contract and Supply
City Hall
Providence, RI 02903

Dear Mayor Taveras:

The City has engaged the services of Mercer Health & Benefits LLC as our health and benefits consulting firm since 2008. Our current agreement states that this contract is an "evergreen" contract that remains in effect unless otherwise terminated by either party (The City or Mercer) upon (90) days written notice.

We are respectfully requesting that we amend the terms of the contract from a (1) one-year agreement to a (3) three-year agreement. The reasons for this request are as follows:

- Mercer has agreed to hold their fees flat for the duration of the three year agreement (this would result in a 0% increase over six years)
- Mercer has successfully negotiated competitive financial contracts with all of our carriers resulting in significant savings to the City
- As a partner to the City's Benefits Department they have guided and assisted us with the implementation of complex projects and initiatives that span multiple fiscal years. As such a multi-year arrangement avoids disruption and delay in implementation of said initiatives
- Mercer has played a critical role in assisting the City with shifting retirees to Medicare, COB (Coordination of Benefits), the Dependent Eligibility Audit; they continue to be an ongoing valuable resource to the City's team as we continue the administration of these initiatives
- Mercer has been exceptionally instrumental in assisting the City Benefits Department as well as the Administration and City Council in advising and implementing the myriad of changes under the Affordable Care Act including multiple reviews of plan designs and mandatory regulatory compliance
- Mercer acts as a central knowledge base for member inquiries related to healthcare reform, compliance and industry standards
- Mercer's historical knowledge of the City's critical medical budget line item will continue to be a valuable asset to any new administration, as it has for the current administration
- Mercer has become familiar with the City's complex union rules and historical Collective Bargaining Agreements and assists the Administration and Benefits Department in negotiations. This knowledge will be critical as we enter in negotiation of multiple labor contracts which expiring on June 30, 2015

Increasing Mercer's contract from a (1) one year to a (3) three year agreement, will result from \$330,000 for one year to \$990,000 for three years.

Account Code 891-900-1010-1

Respectfully submitted,

Amount: \$990,000

Margaret M. Wingate
Manager of Employee Benefits

Financial Approval:

Lawrence J. Mancini
Acting Director of Administration/
Director of Finance

HUMAN RESOURCES | WORKERS' COMPENSATION

Providence City Hall | 25 Dorrance Street, Room 108, Providence, Rhode Island 02903

401 421 7740 ph | 401 272 0867 fax

www.providenceri.com



David Chamberlain
Principal

99 High Street
Boston, MA 02110
+1 617 747 9342
David.Chamberlain@mercer.com
www.mercer.com

Margaret Wingate
City of Providence
Providence City Hall
25 Dorrance Street
Providence, RI 02903

July 8, 2014

Subject: Health & Benefits Statement of Work ("SOW")

Dear Margaret:

The objective of this Statement of Work ("SOW") is to confirm the scope of our work and the compensation for this engagement. This SOW is subject to the terms and conditions contained in our existing engagement letter dated 7/11/13. All capitalized terms not defined in this SOW shall have the meanings ascribed to them in our existing engagement letter.

Service Details

1. Service name: Mercer H&B
2. Description of Mercer responsibilities: See attached Service Schedule

Description of Mercer Stop Loss insurance coverage placement responsibilities:

- Meet with you to develop a stop loss placement strategy that meets your stated objectives.
- Request and negotiate the terms and conditions of the stop loss insurance renewal from the current insurer and present the insurer's proposed renewal package to you.
- Conduct a stop loss marketing based on a list of stop loss carriers selected by you and your desired terms of coverage.
- Facilitate communication between your medical and prescription drug vendors and stop loss insurer to establish reporting responsibilities and timing of data required for the purpose of securing stop loss coverage.
- Follow up with insurance carrier for timely issuance of policies and contracts.
- Review policies and contracts for accuracy and conformity to specifications provided by you in the placement strategy meeting.
- We will assist you with access to the stop loss insurance marketplace and use our commercially reasonable efforts to place stop loss policies selected by you on your behalf, if so instructed.

- If requested, we shall transmit information and data supplied by you or on your behalf without independently verifying the accuracy, completeness or timeliness of the data to the stop loss insurer.

Important Limitations on Mercer's Marketing of Client's Stop Loss Policy

We do not make any representations about an insurer's or MGU's payment or claims denial practices. We do not warrant in any way that all claims submitted to the stop loss carrier will be approved and ultimately reimbursed. Also, the terms and conditions of covered claims for the stop loss insurance policy may not fully correlate with the benefits covered under your benefits program. We shall use all information and data supplied by you or on your behalf without independently verifying the accuracy, completeness or timeliness of it. We will not be responsible for any delays or liability arising from missing, delayed, incomplete, inaccurate or outdated information and data.

3. Description of client responsibilities:
 - You agree to name Mercer as the broker-of-record for your stop loss coverage.
 - You will provide all data/information as required by the stop loss insurer in a timely manner. You are responsible for the accuracy and completeness of such data and information.
 - You are responsible for timely submission of claims requests and confirmation that appropriate reimbursements have been issued by the stop loss insurer.
 - You are responsible for disclosing all potentially high exposure claims as defined by the stop loss insurer.
 - You are responsible for reviewing and executing a confirmation of coverage letter before binding of coverage.
4. Period of time over which work will be performed: 7/1/14 – 6/30/17

5. Compensation/fees:

Our compensation for the Services subject to this SOW will be professional fees in the following amounts (see Service Schedule for details):

7/1/2014 – 6/30/2015	• Recurring Annual Services	\$175,000
	• One Time Services (as agreed to by Mercer and the City of Providence)	\$155,000
	Total	\$330,000
7/1/2015 – 6/30/2016	• Recurring Annual Services	\$175,000
	• One Time Services (as agreed to by Mercer and the City of Providence)	\$155,000
	Total	\$330,000
7/1/2016 – 6/30/2017	• Recurring Annual Services	\$175,000
	• One Time Services (as agreed to by Mercer and the City of Providence)	\$155,000
	Total	\$330,000

We will bill you quarterly for recurring annual services. We will provide monthly bills for One Time Services as selected by the City of Providence pursuant to the H&B Service Schedule. Payments for invoices rendered are due within thirty (30) days of your receipt of the invoice. In the event that Mercer receives any commissions on any health and benefits programs covering employees of the City of Providence, these will be used as an offset to the above fees and the City will be invoiced for the remaining amount if any.

If any invoice remains unpaid after longer than ninety (90) days from the date of the invoice, we may either suspend the provision of the services until payment is received, or terminate this Letter with immediate effect.

In addition to other compensation listed, we also bill for necessary travel and other expenses related to the services requested.

Subcontractors

We may need to utilize various subcontractors ("Subcontractors") in the course of our provision of the Services to assist us in such tasks as printing and mailing, development of interactive tools, graphic design, etc. You consent to our use of the Subcontractors and further acknowledge and agree that we may provide such Subcontractors with your Confidential Information, including Work, on a confidential and a need to know basis for the purposes contemplated by this SOW.

Additional Terms

1. We do not act on behalf of any insurer or other service provider, are not bound to utilize any particular insurer or service provider, and do not have the authority to make binding commitments on behalf of any insurer or service provider. In addition, we do not guarantee or make any representation or warranty that coverage or service can be placed on terms acceptable to you. We are not responsible for the solvency or ability to pay claims of any insurance carrier or for the solvency or ability of any service provider to provide service. Insurance carriers or service providers with which your other risk or insurance coverage or other business is placed will be deemed acceptable to you, in the absence of contrary instructions from you.
2. You understand that the failure to provide, or cause to provide, complete, accurate, up-to-date, and timely documentation and information to us, an insurer, or other service provider, whether intentional or by error, could result in impairment or voiding of coverage or service. You agree to review all policies, endorsements and program agreements delivered to you by us and will advise us of anything which you believe is not in accordance with the negotiated coverage and terms within thirty (30) days following receipt.
3. Mercer and its Affiliates serve a wide array of clients, including clients who compete with or whose interests may be adverse to one another. In addition, Mercer interacts with insurance carriers and other service providers through numerous business and contractual relationships, including serving as a broker for its clients and receiving commissions from carriers, providing consulting or administration services to carriers, and auditing carriers' claims data. Mercer is committed to serving each of its clients in an objective manner and maintaining the confidentiality of each of its client's information.
4. You expressly acknowledge that, with respect to the provision of the Services, we are not, nor are any of our Affiliates or subcontractors, an "administrator" within the meaning under applicable law, including the Employee Retirement Income Security Act of 1974, as amended ("ERISA"), nor, with respect to the provision of the Services, are we or any of our Affiliates or subcontractors a "fiduciary" within the meaning under applicable law or ERISA, unless provided otherwise herein or required by applicable law.

5. Title V of the Gramm-Leach-Bliley Act and related state laws and regulations establish limitations on the use and distribution of non-public information collected by financial institutions from their customers and consumers. Our insurance-related work qualifies us as a financial institution under this Act. Our Privacy Policy Notice and additional information regarding other compliance policies at Mercer, including our conflicts of interest policy, are available at www.mercer.com/transparency. At this web address you will also find information regarding Marsh & McLennan Companies, Inc. and its subsidiaries' equity interests in certain insurers and contractual arrangements with certain insurers and wholesale brokers.
6. Without limiting the generality of Section 2 of our engagement letter, you will inform us at the commencement of our work under each SOW (and thereafter in the event of any change) as to whether or not you or any of your Affiliates are subject to any restrictions or obligations directly relevant to the Services as a result of or in connection with having received any federal financial assistance in connection with any federal law or program, including, but not limited to, the American Recovery and Reinvestment Act of 2009 and the Emergency Economic Stabilization Act of 2008, including the Troubled Assets Relief Program. In the event that you or your Affiliates are subject to such restrictions or obligations, you will also promptly describe such restrictions and obligations to us in writing in reasonable detail and make an expert (including internal or external counsel) available to us for additional clarification that we reasonably request regarding the analysis or interpretation of any such restrictions or obligations. You agree that we will be entitled to rely on, and have no liability for, the accuracy and completeness of the information, analysis or interpretation that is provided to us in connection with the foregoing.
7. Mercer is unable to provide insurance broking, risk consulting, claims or other services or provide any benefit to the extent that the provision of such services or benefit would violate applicable law or expose Mercer or its Affiliates to any sanction, prohibition or restriction under UN Security Council Resolutions or under other trade or economic sanctions, laws or regulations.

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Margaret Wingate
City of Providence

We appreciate your business and look forward to working with you on this engagement. Please acknowledge your agreement to the terms contained herein by signing below.

Mercer Health & Benefits LLC

By: _____

Name: David Chamberlain

Date: 7-8-2014

Title: Principal

ACCEPTED AND AGREED

City of Providence

By: _____

Name: _____
(Please Print)

Date: _____

Title: _____

**H&B SERVICE SCHEDULE
July 1, 2014**

The following proposed services and fees would include a 3-year agreement

Recurring Annual Services: Cost - \$175K

- Renewal of Health, Rx, Life, Dental, Disability, FSA, and Reinsurance contracts - quarterly meetings with Health and Rx vendors; annual meetings for others.
- Day to Day assistance with issues as they arise under these contracts
- Support for collective bargaining
- Monthly Claims Analysis
- Projection of annual health care budget
- Development of working rates
- Benchmarking plan benefits
- Calculation of IBNR in the aggregate
- Medicare Part D RDS Actuarial Equivalency Report, Actuarial Attestation, and Assistance with Monthly Claims Submission and Annual Reconciliation
- MA Minimum Creditable Coverage Testing
- Access to actuary to review working rates and other financial exhibits as needed
- Vendor Management
- Compliance – Updating client on benefits related changes and ad hoc questions from client.
- Prepare and discuss cost savings analysis
- Plan design review and recommendations
- Analysis and verification of vendor proposed changes (i.e.: additional program offerings or cost savings analysis provided by vendors)

One time Services (to be completed over 3 year contract at client's direction):

- Bidding of Insurance
 - Health (\$100K)
 - Rx (\$75K)
 - Dental (45K)
 - Life (\$35K)
 - FSA (\$15K)
 - Stop loss (\$30K)
- Employee open enrollment materials with plan changes, including home-mailing (\$70K)
- New-hire materials (\$40K)
- Benefit statements (\$60K)
- Benefits policy and procedure manual, including training (\$40K)
- Claim audit performed on the BC/BS RI self-insured plan (\$55K)

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Margaret Wingate
City of Providence

- Claim audit performed on CVS Caremark plan (\$45K)
- Dependent Eligibility Audit performed on the BC/BS of RI self-insured plan (\$100K)
- Review of COBRA process for effectiveness (\$20K)
- Workers' Compensation – WC is done internally with BC/BS of RI paying claims and Caremark; research whether this can be done more efficiently (\$40K)
- Health Care Reform – advice on Cadillac plan as well as consulting on current plans and how they will they be impacted by ongoing changes (\$40K)
- HIPAA Audit – (\$30K)
- Compliance Audit (\$40K)