



HISTORIC  
FRANKLIN  
TENNESSEE

ITEM #24  
BOMA  
05/08/2012

## MEMORANDUM

April 16, 2012

**TO:** Board of Mayor and Aldermen

**FROM:** Eric S. Stuckey, City Administrator *ES*  
Russell Truell, Assistant City Administrator / CFO  
Shirley Harmon, Human Resources Director  
Tammie Pitts, Benefits Manager  
Brian Wilcox, Purchasing Manager

**SUBJECT:** Group employee insurance benefits (Purchasing Office Solicitation No. 2012-022)

### Purpose

The purpose of this procurement is to purchase the following group employee insurance benefits for an initial term of service of twelve (12) months, effective July 1, 2012 and through June 30, 2013, with options at the City's sole discretion to renew for like terms:

- A. health benefit management products and services;
- B. pharmacy benefit management products and services;
- C. dental and associated group employee insurance benefits;
- D. life, accidental death and dismemberment, and supplemental life group employee insurance benefits; and
- E. long-term disability group employee insurance benefits.

### Background

The City published on February 9, 2012 a Notice to Proposers in the *Williamson Herald* for the following five (5) separate and independent group employee insurance procurements: (a) health benefit program and associated services; (b) pharmacy benefit management; (c) dental benefit program and associated services; (d) group life, accidental death and dismemberment, and supplemental life; and (e) long-term disability. In addition, solicitation documents were sent on or about the same date directly to 33 potential proposers known or thought to be interested in this solicitation. Proposals from fourteen (14) vendors were publicly opened at the submittal opening held on March 12, 2012.

According to the Request for Proposals, "Respondents must be represented directly. Participation by brokers or commissioned agents will not be allowed during the proposal process or during the term of the proposed contract."

All responsive proposals were evaluated by the City's group employee insurance benefits consultant, the firm of Sherrill Morgan of Covington, KY, pursuant to the evaluation criteria listed in the Request for Proposals. In addition to the evaluation criteria for which points were allocated, fees and/or rates were also identified in the Request for Proposals as an important consideration. The following is a summary of the evaluation:

- Eight Health and Pharmacy Benefit Management (PBM) proposals were received. After scoring, the following six Health and PBM finalists were interviewed by COF representatives and Sherrill Morgan: Aetna; BlueCross BlueShield of Tennessee (BCBST); Connecticut General Life Insurance Company (Cigna); Consociate Dansig; HealthScope Benefits; and Medical Benefits Administrators, Inc. (MedBen). From the interviews, two finalists (BCBST and Cigna) were found to better meet the City's qualifications and had comparable provider networks and discounts. BCBST is the City's current third party administrator for the self-funded health and pharmacy benefit management coverage. The City and employees are pleased with the high level of service currently received by BCBST. The interview committee selected BlueCross BlueShield of Tennessee (BCBST), so staff's recommendation is to award BCBST with the Health and Pharmacy Benefit Management coverage effective July 1, 2012.



- Thirteen dental proposals were received. Delta Dental of Tennessee, the City’s current third party administrator for the self-funded dental plan, scored the highest number of points. Members have the benefit of choosing providers from two networks. The City and employees are pleased with the service currently provided. Staff’s recommendation is to award Delta Dental of TN with the dental coverage effective July 1, 2012.
- Five Basic Life, Accidental Death and Dismemberment (AD&D), and Supplemental Life Insurance proposals were received. In consideration of the response to the RFP, cost, and three-year rate guarantee, staff’s recommendation is to award Aetna with the basic life, accidental death and dismemberment, and supplemental life coverage effective July 1, 2012. It is worth noting that Aetna’s proposal included requested “legal deviations” (Aetna’s term) that staff will be reviewing discussing with Aetna in the process of preparing final documents for approval by the two parties.
- Three Long-Term Disability proposals were received. In consideration of the response to the RFP, cost, and three-year rate guarantee, staff’s recommendation is to award Aetna with the long-term disability coverage effective July 1, 2012. See note above about Aetna’s requested “legal deviations.”

Tabulations of the proposals received, one for each of the five categories of benefits identified by the Request for Proposals, as well as analysis prepared by the City’s group employee insurance benefits consultant, the firm of Sherrill Morgan, are attached.

**Financial Impact**

The services to be rendered pursuant to the request for proposals would be for an initial term of service of twelve (12) months, effective July 1, 2012 and through June 30, 2013, with options at the City’s sole discretion to renew for like terms. The rates quoted by the vendors awarded by the Board of Mayor and Aldermen the respective products and services will be factored into the City’s budget for the fiscal year beginning July 1, 2012.

**Options**

In accordance with the solicitation documents, the City reserves the right to reject any and all proposals.

**Recommendation**

Staff recommends that the City accept the following proposals for an initial term of service of twelve (12) months, effective July 1, 2012 and through June 30, 2013, with options at the City’s sole discretion to renew for like terms:

Service	Recommended proposer
Health benefit management and pharmacy benefit management products and services	BlueCross BlueShield of Tennessee of Chattanooga, TN
Dental and associated group employee insurance benefits	Delta Dental of Tennessee of Nashville, TN
Life, accidental death and dismemberment, supplemental life and long-term disability group employee insurance benefits	Aetna Life Insurance Company of Hartford, CT

Purchasing Manager Brian Wilcox is of the opinion that the prepared solicitation documents as distributed allowed for competition among multiple vendors, and that the staff recommendation appears to be made in a fair and impartial manner based upon the proposals received.

**Tabulation of Proposals\***

<b>Purchasing Office Solicitation No.:</b>		<b>2012-022 Group Employee Insurance Benefits:</b>			
<b>D:</b>		<b>group life, accidental death and dismemberment, and supplemental</b>			
<b>Notice to Proposers published in the Williamson Herald on:</b>		2/9/12			
<b>Number of vendors that were notified of / that responded to this request for proposals:</b>		33 / 5			
<b>Date and time proposals due and publicly opened:</b>		3/12/12 at 2:00 p.m.			
<b>Present at opening of proposals:</b>		Scott Karner of Blue Cross Blue Shield of TN; Shirley Harmon, Tammie Pitts and Tracy Harness of the City of Franklin Human Resources Department; and Tiffany Wilkins and Brian Wilcox of			
<b>Target meeting of BOMA at which recommendation will be considered:</b>		5/8/12			
<b>Proposals received from:</b>	<b>Description of proposal:</b>	<b>Does the proposal take any exceptions to the RFP?</b>	<b>Points allocated pursuant to the evaluation criteria listed in the request for proposals:</b>	<b>Payment terms:</b>	<b>Proposal price per unit is valid through:</b>
Aetna Life Insurance Company 151 Farmington Avenue Hartford, CT 06156 Kevin Ryan, Senior Sales Executive 615-322-1600	D	Yes, "legal deviations" requested	93	net 30 days	06/30/12
BlueCross BlueShield of Tennessee 1 Cameron Hill Circle Chattanooga, TN 37402 Scott Karner, Account Executive 615-386-8555	D	No exceptions taken	100	net 30 days	06/30/12
Connecticut General Life Insurance Company (CGLIC) 900 Cottage Grove Road Bloomfield, CT 06152 Ryan Kocher, Senior Sales Representative 423-763-6680	D	Yes, exceptions taken	95	net 30 days	06/30/12
Metropolitan Life Insurance Company 312 Elm Street, Suite 1475 Cincinnati, OH 45202 Bryan K. Schapman, Account Executive 513-826-4824	D	Yes, "deviations" requested	80	net 30 days	6/30/2012
Minnesota Life 400 Robert Street North St. Paul, MN 55101 Bill Ochs, Client Relationship Specialist 651-665-3789	D	No exceptions taken	100	net 31 days	06/30/12

<sup>1</sup>MOES indicates "meet(s) or exceed(s) specifications"

\*Shaded proposal is the proposal found by the proposal evaluation team to best meets the needs of the City

**City of Franklin  
Group Life & AD&D**

**Current      Renewal      Dearborn National      BCBS TN      Aetna      MetLife      Minnesota      CIGNA**

	Dearborn National	Dearborn National	BCBS TN	Aetna	MetLife	Minnesota	CIGNA
Life Benefit amount	1 x salary up to \$175,000 maximum	1 x salary up to \$175,000 maximum	1 x salary up to \$175,000 maximum	1 x salary up to \$175,000 maximum	1 x salary up to \$175,000 maximum	1 x salary up to \$175,000 maximum	1 x salary up to \$100,000 maximum
AD&D Benefit amount	1 x salary up to \$175,000 maximum	1 x salary up to \$175,000 maximum	1 x salary up to \$175,000 maximum	1 x salary up to \$175,000 maximum	1 x salary up to \$175,000 maximum	1 x salary up to \$175,000 maximum	1 x salary up to \$100,000 maximum
Guaranteed Issue Amt.	\$175,000	\$175,000	\$175,000	\$175,000	\$175,000	\$175,000	\$100,000
Age reduction Schedule	65% age 70 / 750% age 80	65% age 70 / 750% age 80	65% age 70 / 750% age 80	65% age 70 / 750% age 80	65% age 70 / 750% age 80	65% age 70 / 750% age 80	65% age 70 / 750% age 80
Life rate per \$1000	\$0.15		\$0.21	\$0.14	\$0.135	\$0.13	\$0.225
AD&D rate per \$1000	\$0.03		\$0.03	\$0.025	\$0.03	\$0.02	\$0.03
Rate Guarantee			2 years	3 years	2 years	3 years	3 years
Volume	\$27,508,400		\$27,508,400	\$27,191,958	\$27,508,400	\$27,510,000	\$27,575,850
Number of covered lives	607		607	607	607	607	633
Estimated Monthly total	\$4,951.51		\$6,602.01	\$4,487.00	\$4,538.87	\$4,126.50	\$7,031.00
Estimated Annual total	\$59,418.12	\$0.00	\$79,224.12	\$53,844.00	\$54,466.44	\$49,518.00	\$84,372.00

**Actively at Work provision applies**

This grid is intended for discussion purposes only. It is NOT intended to be a complete description of benefits. Please refer to individual plan descriptions for more detailed information.

Rates assume an effective date of: **7/1/2012**

life

**City of Franklin  
Supplemental Life & AD&D**

	Current	Renewal	BCBS TN	Aetna	MetLife	Minnesota	CIGNA
	Dearborn National	Dearborn National				Life	
Life Benefit amount	\$50,000	\$50,000	\$50,000	\$50,000	\$10,000 increments to lesser of 5x salary or \$500,000	\$5000 increments to \$300,000	\$50,000
Guaranteed Issue Amt.	\$50,000	\$50,000	\$50,000	\$50,000	\$100,000	\$100,000	\$50,000
Age reduction Schedule	65% age 70 / 50% age 75 / 30% age 80	65% age 70 / 50% age 75 / 30% age 80	65% age 70 / 50% age 75 / 30% age 80	65% age 70 / 50% age 75 / 30% age 80	none	none	65% age 70 / 50% age 75 / 30% age 80
Life rate per \$1000	\$0.14		\$0.196	\$0.14	age banded	\$0.175	\$0.21
Rate Guarantee			2 years	3 years	2 years	3 years	3 years

AD&D, Dependent Life also AD&D, Dependent Life also

**Actively at Work provision applies**

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Rates assume an effective date of: 7/1/2012

**Tabulation of Proposals**\*

<b>Purchasing Office Solicitation No.:</b>		<b>2012-022 Group Employee Insurance Benefits:</b>			
<b>E:</b>		long-term disability			
<b>Notice to Proposers published in the Williamson Herald on:</b>		2/9/12			
<b>Number of vendors that were notified of / that responded to this request for proposals:</b>		33 / 3			
<b>Date and time proposals due and publicly opened:</b>		3/12/12 at 2:00 p.m.			
<b>Present at opening of proposals:</b>		Scott Karner of Blue Cross Blue Shield of TN; Shirley Harmon, Tammie Pitts and Tracy Harness of the City of Franklin Human Resources Department; and Tiffany Wilkins and Brian Wilcox of			
<b>Target meeting of BOMA at which recommendation will be considered:</b>		5/8/12			
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BlueCross BlueShield of Tennessee 1 Cameron Hill Circle Chattanooga, TN 37402 Scott Karner, Account Executive 615-386-8555	E	No exceptions taken	100	net 30 days	06/30/12
Connecticut General Life Insurance Company (CGLIC) 900 Cottage Grove Road Bloomfield, CT 06152 Ryan Kocher, Senior Sales Representative 423-763-6680	E	Yes, exceptions taken	95	net 30 days	06/30/12

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\*Shaded proposal is the proposal found by the proposal evaluation team to best meets the needs of the City

**City of Franklin  
Long Term Disability**

**Current**                      **Renewal**                      **BCBS TN**                      **Aetna**

	<b>CIGNA</b>	<b>CIGNA</b>	<b>BCBS TN</b>	<b>Aetna</b>
Elimination Period	90 days	90 days	90 days	90 days
Duration	To age 65 / RBD	To age 65 / RBD	RBD	To age 65 RBD
Monthly Benefit	60% up to \$6000	60% up to \$6000	60% up to \$6000	60% up to \$6000
Own Occupation period	24 months	24 months	2 years	24 months
Pre-existing condition limits	3/12	3/12	3/6/12	3/12
Social Security Off-set	Family	Family	Family	Primary & Family
Survivor Benefits	3 months	3 months	3 months	3 months
Self Reported limitations	24 months	24 months	none	none
Mental illness coverage	24 months	24 months	24 months	24 months
Volume	\$2,266,800	\$2,266,800	\$2,266,800	\$2,266,800
Rate per \$100	\$0.35	\$0.35	\$0.49	\$0.34
Rate guarantee		3 years	2 years	3 years
Number of Covered Lives	607	607	607	607
Estimated Monthly total	\$7,933.80	\$7,933.80	\$11,107.32	\$7,707.00
Estimated Annual total	\$95,205.60	\$95,205.60	\$133,287.84	\$92,484.00

**Combined Group Life and LTD**                      \$154,623.72                      \$212,511.96                      \$146,328.00

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Rates assume an effective date of:                      7/1/2012

Declined to Quote: MetLife, Minnesota Life

**City of Franklin**  
**2012-022**

**Legal Deviation Response**

Aetna's response to the City's legal deviations comments follows:

RFP Section	Aetna's Clarifications/Deviations
<p>13. General Terms and Conditions</p> <p>j. Confidential and/or proprietary information; trade secrets.</p>	<p>(1) We agree to eliminate our deviation.</p> <p>(2) We agree to eliminate our deviation.</p> <p>(3) Aetna shall provide the defense of claims that it is required to indemnify for under this Agreement and in doing so shall have the right to control the defense and settlement with respect to such claims. For those claims for which Aetna is not obligated to indemnify the City, the City shall have the right to control the defense and settlement of such non-indemnified claims.</p>
<p>4. General Requirements</p> <p>4.7 Indemnification</p> <p>Standard Procurement Terms and Conditions</p> <p>12. Indemnification.</p>	<p>(1) We agree to eliminate our deviation.</p> <p>(2) We agree to eliminate our deviation.</p> <p>(3) Aetna shall provide the defense of claims that it is required to indemnify for under this Agreement and in doing so shall have the right to control the defense and settlement with respect to such claims. For those claims for which Aetna is not obligated to indemnify the City, the City shall have the right to control the defense and settlement of such non-indemnified claims.</p>
<p>Standard Procurement Terms and Conditions</p> <p>1. Assignment/Subcontracting.</p>	<p>As requested, a list of the subcontractors we engage on a book of business basis follows:</p> <p>Group Life</p> <ul style="list-style-type: none"> <li>- Accurint – Social Security Number search</li> <li>- Affiliated Computer Services – Provide imaging support for our life insurance claims</li> <li>- Computer Sciences Corporation – Issue and administer our group term and group universal life conversions</li> <li>- Harland – Checkbook administration</li> <li>- IBM Daksh – Claim support</li> <li>- International Beneficiary Locators, Inc. – Location of missing beneficiaries</li> <li>- Medcall – Adjudication of premium waiver claims</li> <li>- Open Solutions (formally BISYS) - Issuance of our life insurance benefit checkbook</li> <li>- Perot – Online EOI</li> <li>- Westlaw – Legal research</li> </ul> <p>Group Disability</p> <ul style="list-style-type: none"> <li>- Allsup, Inc. - Social Security Assistance</li> <li>- Coventry Priority Services - Field medical case management and vocational rehabilitation case management services</li> <li>- The Rawlings Company - Subrogation recovery services</li> </ul>
<p>Standard Procurement Terms and</p>	<p>We agree to eliminate our deviation.</p>



Legal Deviation Response

RFP Section	Aetna's Clarifications/Deviations
Conditions  5. Confidentiality and Proprietary rights.	
Standard Procurement Terms and Conditions  11. Precedence.	This specific deviation is related to the self-insured medical proposal we submitted with the life and ltd. It is not applicable to the programs Aetna has been awarded.