

Procurement Authorization - Health Care Benefit Plans Carrier

Meeting Date: December 13, 2000

Subject: Procurement Authorization - Health Care Benefit Plans Carrier

Recommendation

It is recommended that the Commission approve the award of a contract in the total upset limit amount of \$3.5 million to Great-West Life Assurance Company for the provision of administrative and adjudication services concerning the TTC's health care benefit plans for a three year period commencing March 1, 2001.

Funding

Sufficient funds for this expenditure will be included in the 2001 TTC Operating Budget and in future Operating Budgets as required.

Background

The TTC provides health care benefits, including dental coverage, to its employees and their dependants. TTC pensioners and their dependants are provided with a variety of health care benefits on a cost sharing/cost recovery basis. These benefits are administered by a third party. There are a total of approximately 28,000 employees, pensioners and dependants for which the Commission provides these health and dental services.

CUMBA has administered the TTC's health care benefits for over 30 years. On September 28, 2000, CUMBA notified the TTC that it was ceasing its operations effective February 28, 2001. As a result, a new third-party administrator is required to replace CUMBA.

Discussion

The TTC issued a Request for Proposal (RFP) to 10 companies and in addition, the RFP was publicly advertised in the Globe and Mail on October 25, 2000. The proponents were requested to submit pricing based on a percentage of claims or on a fixed fee basis and to provide a basis for an increase or decrease in their pricing based on changes to the Commission benefits plans or changes in employee population. Due to the complexity of this RFP, the Commission retained the services of William M. Mercer Limited (Mercer) to assist in preparing the RFP and during the evaluation process.

Proposals were received from six companies: Canada Life Assurance Company, Canadian Benefits Consulting Group, Clarica Life Insurance Company, Great-West Life Assurance Company, Green Shield Canada, and Manulife Financial Group Benefits. Four companies declined to submit proposals: Liberty Health, Maritime Life, Sun Life and Standard Life.

Proponents were required to meet five minimum qualifications to be considered for this contract. The minimum requirements were: demonstrate experience and qualifications in managing plans of a similar size and nature; provide on-line claims submission; provide a system to respond to claims inquiries; demonstrate financial stability and confirm ability to meet the February 28, 2001 implementation deadline.

Canadian Benefits Consulting Group (CBCG) was the only proponent that did not meet minimum requirements as they do not have specific experience in managing the full scope of health care plans of a similar size and nature to the Commission's. While they are currently providing some health and dental administrative services as a subcontractor to a US based insurance company (Cigna), they do not provide the full scope of services required of this contract (i.e. resolve employee disputes, investigate fraudulent claims and perform audits, etc.). The only known contract that CBCG currently has where they provide the full scope of services required under this contract, covers approximately 450 Greyhound employees. CBCG is not an insurance company and cannot provide "stop loss" insurance coverage required under the contract. In addition, while they can provide on line claims submission for drugs, they cannot provide this service for dental claims as specified in the RFP. They are significantly smaller than the other proponents and based on a review of their financial statements while they have limited financial resources available, it appears that they have the financial capability to perform this contract. They primarily provide administrative services related to short and long term disability programs and not to health and dental programs. As a result, CBCG was not considered qualified and was not evaluated further.

A qualitative evaluation of the five remaining firms' proposals was conducted based on a comprehensive questionnaire developed by Mercer that addressed four key areas: coverage duplication, adjudication consistency, employee service, and management reports. Proposal pricing was also evaluated based on the claims information provided in the RFP. The five firms only provided pricing based on a percentage of claims and not on a fixed fee basis (see Appendix 1).

The results of the qualitative evaluation indicated that the five remaining firms were considered qualified, however further analysis revealed that two firms stated exceptions to the RFP. Manulife took exception to the Commission's Indemnification Clause and Clarica stated that their pricing was only guaranteed for the first two years of the three-year contract. The exceptions from Manulife and Clarica are considered unacceptable and as a result their proposals were not considered further.

Great-West Life was the highest ranked and submitted the lowest evaluated pricing. Their rates would be subject to change only if the Commission's employee population decreased by more than 10%.

Great-West is one of the leading firms in Canada in the employee benefits market with over 4,100 group benefit clients and they provide administrative services for health and dental plans similar to the Commission's for 434 of those clients. They currently provide the same services for a number of large employers including Canada Post and the group of companies formerly known as Ontario Hydro, including Ontario One. Staff visited Great-West's offices in Toronto

and confirmed that they have the resources, computer systems, processes and facilities in place to successfully perform the work under this contract. They did not state any exceptions or qualifications and reference checks performed on Great-West Life were satisfactory. Based on a review of the company's financial statements, it appears they have the financial capability to perform this contract. Based on the above, Great-West Life has demonstrated they are capable of successfully completing this contract and staff recommend the award of the contract to Great-West Life.

Justification

A new third party administrator for health care benefit plans is required to replace CUMBA, who is ceasing its operations. Great-West Life Assurance Company is considered the best qualified and also submitted the lowest evaluated price of firms considered qualified to provide these services for the Commission. As a result, staff recommends the award of this contract to Great-West Life.

December 4, 2000

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Attachment