

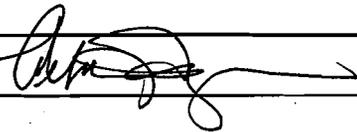
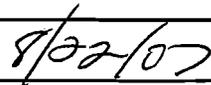
# Memorandum

**TO:** HONORABLE MAYOR  
AND CITY COUNCIL

**FROM:** Mark Danaj

**SUBJECT:** SEE BELOW

**DATE:** 08-20-07

Approved  Date 

**COUNCIL DISTRICT:** N/A  
**SNI AREA:** N/A

**SUBJECT: APPROVAL OF A RESOLUTION TO CONTRACT WITH THE MANAGED HEALTH NETWORK TO PROVIDE EMPLOYEE ASSISTANCE PLAN (EAP) AND CRITICAL INCIDENT STRESS DEBRIEFING (CISD) SERVICES**

## RECOMMENDATION

Adoption of a resolution authorizing the City Manager to negotiate and execute Employee Assistance Plan (EAP) and Critical Incident Stress Debriefing (CISD) service agreements with Managed Health Network (MHN) for the period of October 1, 2007, through June 30, 2011.

## OUTCOME

Approval of the recommendation will allow the City Manager to negotiate and execute contracts to provide EAP and CISD services to City employees.

## EXECUTIVE SUMMARY

Staff facilitated a request for proposal (RFP) process for the City's Employee Assistance Plan (EAP) and Critical Incident Stress Debriefing (CISD) services. This involved convening a committee of key stakeholders to identify issues and objectives and set selection criteria. In concluding that process, staff is recommending that Council authorize the City Manager to execute an agreement with Managed Health Network to provide EAP and CISD benefits to City employees and their dependents.

This RFP was a success for several reasons, including premium reductions that amount to approximately \$130,000 in City savings per year; a new provision that allows the City to roll-over unused health and wellness training hours to the following year at no cost; a commitment from MHN

to provide up to \$7,500 per year for CISD staff training; and, the addition of free on-line legal preparation and estate planning guidance to eligible participants.

## **BACKGROUND**

MHN is the current provider of the City's Sworn and Non-Sworn Employee Assistance Plan (EAP) and Critical Incident Stress Debriefing (CISD) programs.

The Employee Assistance Plan (EAP) is a 100% City-paid benefit that provides the following confidential services to benefited City employees:

- Mental Health Counseling
- Substance Abuse Referrals
- Work-Life Support Services (legal consultations, tax planning, childcare referrals, etc)
- Individual and Group Management Training (conflict resolution, staff performance, etc.)

The City maintains two separate EAP agreements with MHN to provide two levels of benefit. For public safety employees (including dispatchers), participants are eligible to receive unlimited visits to a mental health provider for each personal incident that prompts treatment. For non-public safety employees, this counseling benefit is limited to 5 provider visits for each incident.

Under a third agreement, the City provides Critical Incident Stress Debriefing (CISD) services to public safety employees. CISD is also 100% employer-paid and provides licensed onsite mental health professionals to assist public safety employees in coping with the emotional stress that can occur following traumatic events experienced in the line of duty.

The City last conducted a request for proposals (RFP) for EAP and CISD services in 2002. At that time, the City Council approved staff's recommendation to secure MHN as the City's vendor. In June 2007, Council approved a three month extension of the original extended contracts with MHN to allow for the completion of the current RFP process.

## **ANALYSIS**

### **Review Committee**

The RFP review committee consisted of representatives from Human Resources, the Benefits Review Forum (BRF), San Jose Fire and Police Departments, Employee Relations, and the City's Employer-paid benefits broker, SST Benefits Consulting.

City staff facilitated the stakeholder input process. SST Benefits Consulting drafted the RFP document and facilitated the solicitation and proposal evaluation process, securing responses to the review committee's questions and issues regarding finalist proposals.

Targeted Outreach

The City conducted a targeted outreach to 29 EAP providers by sending RFP announcements via a direct mailing. The RFP was also made available through the City broker’s website. Interested carriers were asked to price the current level of benefits and respond to service issues raised by staff and key stakeholders.

The City received proposals from Managed Health Network and Magellan Health Services. Several other vendors expressed interest in proposing, but ultimately declined due to inability to offer competitive pricing or an inability to match the current plan design and/or network.

Evaluation Criteria

The RFP was structured to mirror the following primary and secondary selection criteria developed by the review committee.

<b>Primary Criteria</b>	<b>Secondary Criteria</b>
<ul style="list-style-type: none"><li>• Match current benefits</li><li>• Pricing</li><li>• Level of Participant Disruption</li></ul>	<ul style="list-style-type: none"><li>• Quality of Coverage and Service Capabilities</li><li>• Service Standards and Performance Guarantees</li><li>• Information and Transition Services/Reports</li><li>• References</li></ul>

Evaluation and Selection

Based on the above criteria, Magellan Health Services was considered to be non-responsive. Magellan did not price the negotiated Police and Fire benefit, which currently offers unlimited EAP visits for public-safety employees and dispatchers. Instead, they proposed a premium of \$1.98 per employee per month (PEPM) based on a five-visit limit for all employees. Although Magellan’s pricing for this level of benefit was lower than the premium proposed by MHN, its failure to propose unlimited visits for public safety personnel required the City to eliminate their proposal from consideration.

Managed Health Network was invited to interview with the review committee. Prior to the interview, MHN was asked to clarify certain RFP responses and strengthen the weaker areas of its proposal. In particular, MHN was asked to provide more details regarding the City’s recent premium paid vs. claims cost experience. As a result, the committee found that the City’s paid claims history warranted a significant reduction to MHN’s original pricing. The committee asked MHN to re-evaluate its pricing in light of this information. MHN replied with an offer to reduce the Public Safety premium by 8.5% and reduce the Non-Public Safety premium rate by 35% (MHN’s final offer is presented below, under “Cost Summary/Implications.”) In addition, MHN has committed to no premium increases for the four-year term of the agreements.

Given their competitive cost, excellent performance as the incumbent provider, and the City’s desire to avoid participant disruption, staff recommends Managed Health Network’s proposal.

## **EVALUATION AND FOLLOW-UP**

If the recommendation is approved, staff will execute three four-year agreements with MHN to provide EAP and CISD services. Before those contracts end, and in accordance with purchasing guidelines, staff will conduct another request for proposals process to renew, revise, or replace the agreements. At that time, City Council will be asked to consider the recommendations that result from that process.

## **POLICY ALTERNATIVES**

### ***Alternative #1: Pursue benefit cuts for public safety employees and dispatchers***

**Pros:** By reducing the allowable EAP visits for public safety employees and dispatchers from unlimited visits to 5 visits per incident, the City could save up to \$577,000 per year if it were to select the Magellan Health Services proposal of \$1.98 per employee per month.

**Cons:** Such a measure would significantly reduce benefits currently available to public safety employees, be subject to the meet-and-confer process, and delay the implementation of the negotiated premium reductions and enhancements gained in the new contracts with MHN.

**Reason for not recommending:** The City will maintain its current level of benefits and will realize immediate EAP cost savings by selecting MHN.

## **PUBLIC OUTREACH/INTEREST**

- Criteria 1:** Requires Council action on the use of public funds equal to \$1 million or greater; **(Required: Website Posting)**
- Criteria 2:** Adoption of a new or revised policy that may have implications for public health, safety, quality of life, or financial/economic vitality of the City. **(Required: E-mail and Website Posting)**
- Criteria 3:** Consideration of proposed changes to service delivery, programs, staffing that may have impacts to community services and have been identified by staff, Council or a Community group that requires special outreach. **(Required: E-mail, Website Posting, Community Meetings, Notice in appropriate newspapers)**

The local business community was given the opportunity to compete by posting the RFP on SST Benefits Consulting's website. All key stakeholders were invited to participate in the RFP process.

This recommendation will be reviewed with the Benefits Review Forum on August 29, 2007, and a copy of this memorandum will be provided to members of the CLA.

This memorandum is posted on the City's website for the September 11, 2007 Council Agenda.

**COORDINATION**

This memorandum has been coordinated with the Offices of the City Attorney, Employee Relations, and City Manager’s Budget Office.

**FISCAL/POLICY ALIGNMENT** Not applicable

**COST SUMMARY/IMPLICATIONS**

The following table summarizes the City’s current EAP premiums compared to MHN’s final proposed rates. The proposed Per Employee Per Month (PEPM) costs are annualized based on current enrollment and compared to the current premium projected out over 12 months. If approved, staff expects the City to realize approximately \$520,000 in savings over the next four years (~\$130,000 per year).

EAP Services	Current Premium (PEPM)	Proposed Premium (PEPM)	Current Enrollment	Current Premium (Annualized)	Proposed Premium (Annualized)	Estimated Annual Savings
Non-Public Safety	\$4.50	\$2.91	3,924	\$212,000	\$137,000	\$75,000
Public Safety	\$23.08	\$21.11	2,321	\$643,000	\$588,000	\$55,000
<b>Total:</b>				<b>\$855,000</b>	<b>\$725,000</b>	<b>\$130,000</b>

Critical Incident Stress Management (CISD) services are administered apart from the EAP contracts. For these services, compensation is based on an annual retainer and any billable costs that exceed the retainer amount. MHN proposed no change to the current CISD costs over the next four years. The individual service rates are reflected below. Staff expects that the annual appropriation for CISD services will need to remain at \$15,000 per year.

Critical Incident Stress Debriefing (CISD)	Current Costs	Proposed Costs (Guaranteed 4 Years)
Annual Retainer	\$6,000	No Change
Travel to Debriefings	\$75	No Change
Debriefings	\$200/Hour	No Change
Staff Consultations	\$200/Hour	No Change
Staff Training	\$393/Hour	No Change

**BUDGET REFERENCE**

Fund #	Appn #	Appn. Name	Total Appn	Amt. for Contracts*	2007-2008 Proposed Operating Budget Page	Last Budget Action (Date, Ord. No.)
160	0124	Employee Assistance Program	\$850,000	\$725,000	XI - 9	6/19/2007
001	2136	Critical Incident Stress Debriefing	\$15,000	\$15,000	IX - 13	6/19/2007

\*Not-to-exceed contract amounts are not applicable. EAP Premium payments will vary based on the per employee per month rates as they are applied to fluctuating enrollment. CISD service costs vary based on usage to the extent that billable service costs exceed the \$6,000 annual retainer.

**CEQA**

Not a project.

  
MARK DANAJ  
Director, Human Resources

For questions please contact Dave DeLong, Acting Benefits Manager, (408) 975-1428.