



Memorandum

TO: HONORABLE MAYOR
AND CITY COUNCIL

FROM: Alex Gurza

SUBJECT: SEE BELOW

DATE: September 2, 2011

Approved

Date

9/2/11

SUBJECT: AGREEMENT WITH MAGELLAN HEALTH SERVICES OF CALIFORNIA, INC. – EMPLOYER SERVICES FOR EMPLOYEE ASSISTANCE PROGRAMS (EAP), CRITICAL INCIDENT STRESS MANAGEMENT (CISM) AND SUBSTANCE ABUSE TREATMENT FOR EMPLOYEES AND THEIR DEPENDENTS FOR THE PERIOD OF JANUARY 1, 2012 TO DECEMBER 31, 2016.

RECOMMENDATION

Adoption of a resolution authorizing the City Manager to execute an agreement between the City and Magellan Health Services of California, Inc. – Employer Services (Magellan) for the period of January 1, 2012, through December 31, 2016, for Employee Assistance Program (EAP), Critical Incident Stress Management (CISM) and Substance Abuse Treatment for a total cost that will not exceed \$3,251,140 for the period of January 1, 2012 to December 31, 2016.

OUTCOME

Approval of the recommendation will provide City, its employees, and their dependents EAP and CISM services.

EXECUTIVE SUMMARY

Staff facilitated a request for proposal (RFP) process for the City's Employee Assistance Program (EAP) and Critical Incident Stress Management (CISM) services. This involved convening a committee of key stakeholders to identify issues and objectives and set selection criteria.

This RFP process resulted in estimated premium reductions of \$25,416 in City savings per year and a total estimated savings of \$127,080. Additionally, an enhanced CISM benefit that provides post traumatic stress disorder treatment for the City's sworn police officers and firefighters will eliminate the need for departments to cover these expenses.

In concluding that process, staff is recommending that City Council authorize the City Manager to execute an agreement with Magellan to provide EAP and CISM benefits to City employees and their dependents.

BACKGROUND

Managed Health Network (MHN) has been the provider of the City's Sworn and Non-Sworn EAP and CISM programs since July 1, 1994.

The EAP is a 100% City-paid benefit that provides the following confidential services to benefited City employees and their dependents:

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

The City currently maintains a total of three (3) agreements with MHN. Two (2) separate agreements provide EAP benefits to benefited employees working 20 hours or more. The first EAP agreement is for public safety employees. Public safety employees include sworn police and firefighters as well as police and fire dispatchers. The second EAP agreement is for all other employees or "non-sworn" employees.

Public safety employees receive unlimited EAP counseling visits to a mental health provider for each personal incident that prompts treatment. For non-sworn employees, this EAP counseling benefit is limited to five (5) provider visits for each incident per calendar year. Both EAP agreements provide employees and their dependents access to a twenty-four (24) hour crisis intervention service by telephone. The EAP also provides substance abuse treatment benefits to employees in conjunction with the language set forth in the employee's respective Memoranda of Agreement (MOA) and the City Policy Manual. The substance abuse benefit provides a discounted provider network, with the City providing 70% of the discounted claims cost for substance abuse treatment and the employees pay 30%. This benefit supplements the substance abuse benefits of the medical plans, which is limited to inpatient detoxification and services to treat the acute medical complications of detoxification.

Under a third agreement, the City provides CISM services to public safety employees. CISM is also 100% City-paid and provides licensed on-site mental health professionals to assist sworn police and fire employees in coping with the severe emotional stress that can occur following traumatic events experienced in the line of duty.

The City last conducted a RFP for EAP and CISM services in 2007. At that time, the City Council approved staff's recommendation to continue with MHN as the City's provider for EAP

and CISM benefits. The current agreements with MHN are scheduled to expire effective December 31, 2011. RFPs are generally conducted for EAP and CISM services every four years.

ANALYSIS

Review Committee

The RFP review committee consisted of representatives from Human Resources, representatives from the Benefits Review Forum (BRF), and staff representatives from the San José Fire and Police Departments.

City staff facilitated the stakeholder input process and drafted the RFP document to incorporate service issues raised by staff and key stakeholders. At the direction of Human Resources, Buck Consultants, the City's contracted benefits consultant, facilitated the solicitation, proposal evaluation process, vendor interviews and secured responses to the review committee's questions regarding finalist proposals.

Targeted Outreach

The City conducted a targeted outreach to ten (10) known EAP providers in addition to posting the RFP on BidSync. Interested providers were asked to price the current level of benefits.

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

Evaluation Criteria

The RFP used the selection criteria outlined in the following table.

Selection Criteria	Weight
• Fee Structure (Cost)	35%
• Proposal Meets Scope of Work	30%
• Customer Satisfaction/ Firm Reputation	15%
• Experience of Proposer/ Expertise	10%
• Local Business Enterprise	5%
• Small Business Enterprise	5%

Evaluation and Selection

Based on the above criteria, The Holman Group's proposal was considered to be non-competitive. The Holman Group's proposal did not match the existing benefit levels and the prices quoted were above what other proposers were offering.

After considering the remaining proposals, the selection committee chose to interview all remaining proposers, Magellan Health Services, Managed Health Network, and Claremont Health.

Claremont Health's proposal had the lowest pricing per employee, and their proposal for non-public safety employees closely matched the City's required services specified in the RFP. However, the Claremont Health's proposal for public safety employees did not match EAP benefits specified in the RFP. Deficiencies in their proposal included allocating only five counseling sessions at a time for public safety employees when the current benefit allows for unlimited sessions. Additionally, participants would not be able to find providers online and would be required to call Claremont Health to obtain a provider listing. Shortly after the finalist interviews, Claremont Health rescinded their proposal on the grounds that they did not believe their service model would be able to meet the City's needs for public safety employees.

MHN's experience and understanding of the City's and participants' specific needs and service expectations was a strong point within the MHN proposal. MHN has a technological advantage over the other proposers due to their ability to offer web-video based consultations to participants in addition to traditional telephone and face-to-face consultations. MHN's rates, however, were higher than the other proposers and included percentage increases in future years of the contract period, and for these reasons, MHN was eliminated from further consideration.

Magellan Health Services submitted a very competitive proposal. Magellan has the ability to meet the City's current plan design, plus Magellan added a contracted facility that specializes in post traumatic stress disorder treatment to the covered benefits for sworn police and fire employees. This benefit and network enhancement enables the City to obtain a discounted rate for these services and enables the City to use the annual retainer fees for services previously paid for by the departments directly to this facility. These enhancements are expected to lower City costs and reduce unbudgeted expenses.

The pricing for Magellan's services were the lowest of all the proposals. The hourly training rates are below the training rates offered by MHN. The hourly consulting rates, on which the CISM retainer fees are based, are slightly above the hourly consulting rates offered by MHN. However, the Magellan proposal contains a five year rate guarantee on the EAP premiums, the CISM rates and the training costs.

Staff recommends Magellan Health Service's proposal based on their ability to offer comparable benefits at a more competitive cost overall, their rate guarantee for five years, and the City's desire to offer the best Employee Assistance Program and CISM services possible.

Key terms of the proposed Agreement with Magellan Health Services

The key terms for the Agreement with Magellan Health Services for services are as follows:

1. EAP for sworn, public safety, and non sworn employees and CISM for sworn employees with an initial term of 6 months ending on June 30, 2012, and a total cost not to exceed \$325,114.

2. EAP for sworn, public safety, and non sworn employees and CISM for sworn employees with an optional term of 1 year ending on June 30, 2013, and a total cost not to exceed \$650,228.
3. EAP for sworn, public safety, and non sworn employees and CISM for sworn employees with an optional term of 1 year ending on June 30, 2014, and a total cost not to exceed \$650,228.
4. EAP for sworn, public safety, and non sworn employees and CISM for sworn employees with an optional term of 1 year ending on June 30, 2015, and a total cost not to exceed \$650,228.
5. EAP for sworn, public safety, and non sworn employees and CISM for sworn employees with an optional term of 1 year ending on June 30, 2016, and a total cost not to exceed \$650,228.
6. EAP for sworn, public safety, and non sworn employees and CISM for sworn employees with a final term of 6 months ending on December 31, 2016, and a total cost not to exceed \$325,114.

Moreover, the initial term of the Agreement will be January 1, 2012 through June 30, 2012, with four (4) one year renewal options and one six (6) month renewal option. Finally, the Agreement will contain the City's standard terms from its consulting agreement. The scope of services will provide EAP services for all benefited City employees and their dependents including:

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

In addition, the scope of services will provide for CISM services, which provides licensed on-site mental health professionals to assist sworn police and fire employees in coping with traumatic events experienced in the line of duty and treatment for post traumatic stress disorder.

EVALUATION AND FOLLOW UP

This project addresses the Human Resources' performance measure of the cost of benefits administration and operations per budgeted full-time employee. The Employee Benefits Division of Human Resources ensures that the City of San José employees and retirees receive high quality and cost effective benefits by subjecting benefit plan providers to regular competitive processes (usually every four years).

PUBLIC OUTREACH/INTEREST

- ✓ **Criterion 1:** Requires Council action on the use of public funds equal to \$1 million or greater. **(Required: Website Posting)**
- Criterion 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)**
- Criterion 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 the BidSync website. All key stakeholders were invited to participate in the RFP process.

This recommendation was reviewed by the Benefits Review Forum on June 29, 2011.

This memorandum is posted on the City’s website for the September 20, 2011 Council Agenda.

COORDINATION

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

COST SUMMARY/IMPLICATIONS

Employee Assistance Program (EAP)

The following table summarizes the City’s current EAP premiums compared to Magellan’s final proposed rates. The proposed Per Employee Per Month (PEPM) costs are annualized based on July 2011 enrollment and compared to the current premium projected out over 12 months.

EAP Services	Current Premium (PEPM)	Proposed Premium	July 2011 Enrollment	Current Premium (Annualized)	Proposed Premium (Annualized)	Estimated Annual Savings	Enrollment Contingency 10% (Annualized)
Non-Sworn	\$2.91	\$2.90	3,257	\$113,735	\$113,344	\$391	\$11,334
Sworn	\$21.11	\$20.03	1,931	\$489,161	\$464,136	\$25,025	\$46,414
Total				\$602,896	\$577,480	\$25,416	\$57,748

If approved, staff expects the City to realize a savings of \$25,416 annually, with a projected savings of \$127,080 over the next five years. The projected total annual cost of \$635,228 for

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Employee Assistance Program expenses includes estimated premiums of \$577,480, based on July 2011 enrollment, plus \$57,748 for an enrollment contingency factor of 10%, for an estimated annual cost of \$635,228 and a five year contract cost of \$3,176,140.

The EAP premium includes 150 training hours. Any unused training hours are rolled over each year. Any training hours required in excess of the available training hours in a year would be an additional cost to the Department requesting the training. The training rates are contained in the table below.

Training	Current Costs	Proposed Costs (Guaranteed 5 Years)
Up to 2 Hours	\$485	\$370
Half Day	\$810	\$600
Full Day	\$1,500	\$1,100

Substance Abuse Treatment benefits are also included in the EAP agreements. The City pays 70% of Magellan's discounted claims cost for this benefit. Annual costs for the EAP Substance Abuse Treatment benefits are estimated to be \$3,800. Total costs for this benefit is not expected to change due to the new Agreement with Magellan. As these claims costs are already included in the appropriation for EAP, no additional appropriation is required at this time.

Critical Incident Stress Management (CISM)

Magellan proposed increases to some of the current CISM costs, but guaranteed these rates for a five year period. Similar to our current vendor, Magellan requires a minimum annual retainer of \$6,000 to be paid in monthly installments of \$500. Actual costs are applied to the annual retainer first. Magellan will bill for any costs exceeding the retainer. The appropriation for the CISM minimum retainer and estimated costs for travel, debriefings, staff consultations and staff training is \$15,000 annually, with an approximate five year cost of \$45,000. The billable rates for CISM expenses are shown in the chart below.

Critical Incident Stress Management (CISM)	Current Costs	Proposed Costs (Guaranteed 5 Years)
Annual Retainer	\$6,000 minimum per year	\$6,000 minimum
Travel to Debriefings	\$75	Actual charges
Debriefings	\$200/Hour	\$230/Hour
Staff Consultations	\$200/Hour	\$230/Hour
On-site Group Counseling	\$200 per hour	\$230 per hour
Staff Training	\$393/Hour	\$250/Hour

Total EAP and CISM Costs

Total annual cost for EAP, \$635,228, and CISM, \$15,000, is \$650,228. The estimated five year cost is \$3,251,140.

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BUDGET REFERENCE

Fund #	Appn #	Appn. Name	Total Appn	Amt. for Contracts	Proposed 2011-2012 Budget* Page	Last Budget Action (Date, Ord. No.)
160	0124	EAP	\$576,000	\$317,614	XI-8 – XI-9	06/21/11, 28928
001	0482	Human Resources Non- Personal/Equipment	\$15,000	\$7,500	VIII - 179	06/21/11, 28928

* The 2011-2012 Adopted Budget was approved on June 21, 2011.

EAP premium payments will vary based on the PEPM rates as they are applied to fluctuating enrollment. CISM service costs vary based on usage to the extent that billable service costs exceed the \$6,000 annual retainer.

Substance Abuse Treatment claims, estimated at a City-wide cost of \$3,800, would continue to be expended from affected individual department General Fund budgets as appropriate. Expenditures are allocated according to the employees' use and are typically absorbed in personal services savings.

CEQA

Not a project, PP10-066,(e) Services that involve no physical changes to the environment.


Alex Gurza
Deputy City Manager

For questions please contact Jeanne Groen, Benefits Manager, (408) 975-1428.