

# Memorandum

## City of Lawrence

### Human Resources

**TO:** David L. Corliss, City Manager

**FROM:** Michelle Spreer, Benefits Specialist, Human Resources  
Lori Carnahan, Human Resources Manager

**CC:** Diane Stoddard, Assistant City Manager

**Date:** January 30, 2012

**RE:** Consulting Services from Hays Companies

Human Resources Staff requests approval to renew the letter of agreement with Hays Companies for Benefits Consulting. Hays has presented staff a favorable renewal amendment eliminating the fee increase that was originally proposed in the 2009 Letter of Consulting Services Agreement along with a three year rate extension.

The City of Lawrence has been utilizing the services of Hays Companies since April 2009. They have been an integral extension of the Human Resources office by bringing expertise in health benefits management, wellness and compliance with ever changing healthcare laws. They have dedicated their time to nearly all of our internal Healthcare Committee meetings.

Since 2009, Hays has provided staff with tools and resources to help us maintain a cost effective and competitive healthcare plan.

- Advanced benchmarking and plan analysis tools to assist the City with:
  - Health plan expenditure projections and fund balance recommendations;
  - Plan design (saving the City approximately \$46,000 in 2010);
  - City/Employee funding scenarios.
- Use of a proprietary software program – *Health Plan Intelligence* that:
  - Analyzes and assembles raw claims data;
  - Turns data into powerful information to help identify inefficiencies, abuses and wellness opportunities specific to our group;
  - Utilizes a financial analysis component to help determine how efficiently cash flows through our medical and prescriptions drug plans. Allows the City to refine its plans based on how our participants consume healthcare services.
- Liaison between staff and outside vendors:
  - Secured competitive pricing through aggressive negotiations on our term life insurance contracts as well as our stop loss coverage;
    - ◆ Negotiated a rate guarantee with Advance Life Insurance Company saving the City approximately \$5,000;
    - ◆ Lowered our 2011 stop loss renewal with Cigna from 60% initially down to 13% through plan design and negotiation saving the City approximately \$292,000.

- Resource to ensure the city remains compliant with
  - HIPAA
  - Healthcare Reform laws
  - Changes in required notices to plan members

Going forward, Hays will again bring a new set of requests for proposals, vendor analysis and recommendation for all healthcare plan, flexible spending, life insurance and COBRA vendors.

Hays and the Human Resources staff recommend that due to the 2012 addition of the Health Reimbursement Account (HRA) and the implementation of the WellCare Clinic, the City defer the traditional three year cycle for the RFP process for our healthcare plan network and administrator. It has been documented that account based plans, like the HRA, can reduce trend by as much as 10% in as little as 2 years. It is desirable to collect at least one full year of utilization data following implementation prior to marketing the program. One year of data on the effect of the changes made for the 2012 plan year with respect to utilization, trends and costs will become available near the end of the first quarter of 2013, two years of data available early in 2014, will show if the projected changes in trend due to the HRA are coming to fruition.

Requested action:

Approve Amendment to Consulting Services Agreement with Hays Companies for health plan and other related benefit services as outlined through March 31, 2015 in the amount of \$50,000 annually.

Attachments:

December 6, 2011 Letter from Hays Companies and Amendment to Consulting Services Agreement  
April 24, 2009 Letter of Agreement with Hays Companies



Hays Companies of Kansas City  
920 Main Street, Suite 2100  
Kansas City, MO

816.474.3535 phone  
816.842.5795 fax  
[www.Hayscompanies.com](http://www.Hayscompanies.com)

December 6, 2011

Mr. David L. Corliss  
City Manager  
City Hall  
6 East 6th Street  
PO Box 708  
Lawrence, KS 66044

Re: Contract Amendment

Dear Dave:

Thank you very much for instilling your trust in the Hays Companies as the broker/consultant on your Health and Welfare programs. We greatly appreciate the opportunity you have presented us and look forward to continuing our partnership. The purpose of this letter is to present an amendment to our consulting agreement which reflects an extension for three additional years. You will receive the highest return on this investment by your continued partnership with Hays because of our extensive expertise, our specific knowledge of the City's benefit plans and our collaborative approach to working with clients and their vendor partners.

Our mutual successes include the following:

- Medical, Pharmacy, Dental, Life Insurance and COBRA Marketing (effective 1/1/2010)
  - Projected savings of \$600,000 through improved discounts, care management and utilization review
  - Improved access to data to make informed decisions regarding plan design, employee health engagement and condition management
  - Resulted in year to year trend management of less than 1%
  - Delivered ancillary benefit cost savings, improved administrative process and benefit enhancements
  - Significantly contributed to implementation management of new vendors and review of all contracts and SPD
- Plan Design Analysis
  - Participated with health care committee and assisted their decision-making process by analyzing cost drivers, evaluating member burden, benchmarking, reviewing RFP results and cost impacts of plan design and employee contribution changes
  - Performed an in depth review of Account Based Plan Strategy in order to manage cost in 2012 and into the future without impacting employee overall out-of-pocket costs
- Health and Wellness Strategy Development
  - Developed incentive strategy
  - Continued ongoing discussions with CIGNA and the City to enhance employee engagement in the available programs
  - Recommended approaches to program development, evaluation and communication

- Delivered all ongoing core services, most specifically:
  - Assist with budget development and reserve levels
  - Review utilization data and monitor plan results
  - Prepare cost vs. budget monthly reports
  - Benchmarking of plan features, employee contributions and member burden
  - Marketed stop-loss insurance and evaluate appropriate level and type of coverage
  - Marketed vision benefits
  - Conducted Health Plan Intelligence annual data analysis once a year
  - Presented and evaluated savings alternatives for retirees' use in funding health plan costs
  - Participated in Health Care Committee and City Commissioner meetings

The Hays Companies is uniquely positioned to continue our services to the City because:

- Through a strategic consulting process, we develop an in-depth understanding of the specific benefit issues and needs of the organization and your employees, enabling us to present tactics and solutions that are most appropriate to your mission and culture. We recognize that not all best-in-class ideas may be suitable to your situation.
- We use our broad understanding of cost drivers to assist you in managing costs against the strategic plan and validating the cost implications of design and funding decisions.
- Our approach to compensation is fully disclosed. We will document the return on investment for the specific services that we deliver. Additionally, our fee includes services associated with the evaluation, strategic development and ongoing measurement and monitoring related to wellness and health and productivity initiatives.
- We are pragmatic innovators that view the employee benefit issues facing our clients from both a strategic and tactical perspective.
- We are bottom-line oriented and use our negotiating strength to obtain the most favorable financial and contractual outcomes for our clients.
- We have the requisite industry experience and deploy our proprietary tools in all our client relationships. This sets us apart from our competitors.

We are looking forward to continuing our long-term mutually beneficial relationship. We sincerely appreciate our relationship and enjoy having the City as a valued client.

Sincerely,

Kevin Schaffer  
Executive Vice President

Jeffrey A. Randolph, CEBS  
Senior Vice President

The logo for Hays, featuring the word "Hays" in a bold, black, sans-serif font.

## Amendment to Consulting Services Agreement

This amendment is incorporated and part of the consulting services agreement ("Agreement") dated April 2009 entered into by and between the City of Lawrence ("Client") and the Hays Companies ("Hays"). Pursuant to Section 2: Term and Termination of the Agreement, the Agreement may be extended upon mutual approval of both parties (Hays and the City). Therefore, the parties agree to extend the original term (36 months ending March 31, 2012) an additional 36 months to March 31, 2015 by mutual consent to the following changes:

1. Exhibit B: Is replaced with the following:

Hays Companies will provide the services outlined in this agreement for an annual fee of \$50,000 payable in quarterly installments of \$12,500.00. The fee is payable on the first of each quarter beginning with May 1, 2012 through February 1, 2015. Invoices will be generated on the first of each month, May, August, November and February. All insurance contracts (except those that are excluded in Exhibit A) associated with the City of Lawrence which Hays is assigned Broker of Record will be net of commissions. Should Hays earn any commission or contingency revenue from insurance carriers directly attributed to the City of Lawrence, the fee will be offset by the earned income.

Hays Companies will not increase the above said fees during the term of this Amendment.

Please note that the consulting fees will remain fixed and will not be changed unless there has been a material or mutually agreed upon change in the scope of the engagement.

During the term of the agreement, Hays Companies agrees to conduct Vendor Evaluation and Marketing for each of the following contracts currently in place:

- CIGNA Health Care
  - Administrative Services
  - Stop Loss Insurance
- MedTrak Services
- Optum (COBRA Administration)
- Delta Dental
- Advance Insurance Company
- ASI (Flex Plan Administration)

2. All other terms of the Agreement dated April 2009 are confirmed and remain in effect.

The Amendment set forth herein is hereby agreed to and accepted this \_\_\_\_\_ day of \_\_\_\_\_, 2012.

Hays Companies

City of Lawrence

By: \_\_\_\_\_  
Kevin Schaffer  
Executive Vice President, Benefits

By: \_\_\_\_\_  
David L Corliss  
City Manager

The logo for Hays Companies, featuring the word "Hays" in a large, bold, black sans-serif font.



920 Main Street, Suite 2100  
Kansas City, MO 64108  
816.474.3535 phone  
816.842.5795 fax  
www.hayscompanies.com

April 24, 2009

City of Lawrence

To Whom It May Concern:

This letter of agreement ("Agreement") confirms the terms under which the client ("City of Lawrence") has engaged Hays Companies. ("Hays") to perform certain employee benefit and/or human resource consultation services consulting services as described in **Exhibit A**. The contractual terms under which Hays and the Client are undertaking are as follows:

1. The Services. The mutual undertakings set forth herein, Hays agrees to provide the Services described in **Exhibit A** to this Agreement.
2. Term and Termination. The initial term of this Agreement will be 36 months beginning April 1, 2009 and ending April 1, 2012. The Agreement must comply with the applicable provisions of the Kansas Cash Basis Law, K.S.A. 10-1101 *et seq.* The City is obligated only to make payments under this Agreement as may be lawfully made from funds budgeted and appropriated for the purposes set forth in this Agreement during the City's current budget year or from funds made available from any lawfully operated, revenue producing source. In the event the City does not so budget and appropriate the funds for payments due under the agreement in any budget year, the parties acknowledge and agree that the Agreement will terminate and they shall be relieved from all obligations, without penalty, under this Agreement. To the extent that the City does so budget and appropriate funds for the purposes set forth in this Agreement, the obligations of the parties shall remain as provided herein.

This Agreement may be extended upon agreement of the parties. In the event of a material breach of this Agreement, the non-breaching party will have the right to terminate this Agreement immediately provided written notice.

3. Fees and Expenses, Invoicing and Payment. For and during the term of this Agreement, the Client will pay Hays the Fees specified on **Exhibit B** hereto ("Schedule of Fees") and subject to the payment terms set forth therein. Hays Companies shall not bill Client for services other than described in **Exhibit A**. In no event, shall Hays Companies bill in excess of the annual fee outlined in **Exhibit B**.
4. Use of Hays Reports and Recommendations.  
Reports, analyses and other materials Hays provides to you are solely for your internal use. With the exception of you and your advisors who have a need to know, they may not be given to or shared with anyone else, or used for any purpose other than as we contemplated when we originally provided them, without our prior written consent. The confidentiality provisions of this section shall not apply to any disclosures required by law, including the Kansas Open Records Act. Health Plan Intelligence® is proprietary software of the Hays Companies and is not to be shared with other parties except as specified above.
5. Hays Intellectual Capital.  
Hays retains exclusive rights to the intellectual capital (such as methodologies, know how, models, tools, and any graphic or digitized representation of any of these) developed or possessed by Hays prior to, or acquired during, the performance of the Services.

6. Confidentiality of Client Information.

Hays will not disclose to any third parties any confidential or proprietary information we obtain in the course of our work, except as required by law, or as reasonably necessary to perform the Services, or as otherwise authorized by City of Lawrence. This paragraph shall not apply to information that is or becomes publicly available through no fault of Hays.

We occasionally use data provided by clients to build normative databases for use by our consultants. These databases benefit all clients and do not identify individual clients or their information.

7. General Use and Disclosure of Health Care Data

This agreement will encompass the terms of the BUSINESS ASSOCIATE AMENDMENT mutually executed on 4.30.2009, by and between the Hays Companies and City of Lawrence.

8. Limitation of Liability

Hays will be liable only for direct and consequential damages in connection with the Services or any matter relating to or arising from the wrongful performance of our work.

If the foregoing Agreement is understood and agreed upon, please acknowledge by signing below and returning a duplicate of this Agreement to Hays Companies.

9. Governing Law

This Agreement will be governed by Kansas law, and venue for any litigation arising out of this agreement shall either be in the District Court of Douglas County, Kansas or, if applicable jurisdictional requirements are met, the United States District Court for the District of Kansas.

10. Disclosure

Hays Companies may be compensated for our work in a variety of ways, including the following:

A. **Client Fees.** In some cases, our clients pay us negotiated fees for handling their insurance needs. Any such fees to be paid by the client are set forth in the written agreement between Hays Companies and our client.

B. **Regular Commissions:** Insurance companies with which we place business generally pay us commissions for the placement or renewal of policies. In most cases, such commissions are calculated as a percentage of the premium paid to the insurance company for the specific policy and are included in our client's premium cost. Occasionally the commission may be a fixed amount negotiated between us and the insurer. In some cases where clients pay us fees in connection with the placement and servicing of their insurance business, commissions may be credited against any fee to be paid by the client; if so, this will be set forth in our written client agreement.

C. **Contingent Commissions and Other Incentive Payments:** Some of the insurers that Hays Companies represent grant us the opportunity to receive contingent commissions or supplemental income. Unlike regular commissions, contingent commissions and supplemental income are not tied to a specific policy, but rather are generally tied to various criteria relating to the overall business we place with those insurers, typically measured on an annual basis. These contingent commissions and supplemental income may be based on a number of factors relating to the business placed by our agency with the insurance company, including growth in premium, loss ratios, total written premium, premium volume, retention of business, profitability, and/or other criteria. Further, in connection with the placement of insurance, we may also receive compensation from intermediaries, such as wholesalers, other agencies and brokers, or re-insurers. In addition, some insurance companies may offer our agency other incentives or payments, such as marketing or administrative support, promotional fees, educational costs, and/or prizes, gifts, or awards (e.g. meals, trips, etc). In some cases, we may enter into relationships with an insurance company whereby we provide the insurer with additional services for which we receive a fee, such as premium finance contracts, policy or claims administration, or loss control services. In some cases, we may own stock in a particular insurance company or reinsurance company



D. **Interest Income:** In some cases where our clients pay for insurance policies through the agency (instead of by direct payment to the insurer which issued the policy), the agency may receive income from interest accruing on amounts held for payment to insurers.

Hays Companies

By: Kevin Schaffer  
Kevin Schaffer  
Executive Vice President, Benefits

City of Lawrence

By: Janis L. Collins



## Exhibit A

### Scope of Services:

- 1. Objective Setting**
  - Conduct interviews of key benefit decision makers to understand the objectives set forth by your company and to fully understand your business
  - Assist/Development of Long-Range Objectives
  - Conduct periodic employee surveys as needed
  - Conduct quarterly strategy and open items meetings
  - Meet with carriers
  - Client Service Calendar/Open Items Checklist development to manage ongoing tasks
  - Review of current plan documents
- 2. Program Design**
  - Conduct an annual benchmarking analysis to ensure competitiveness of the benefit program
  - Benefit modeling
  - Funding evaluation
    - Claims Audit (once every 3-years)
    - Implementation and on-going monitoring
    - Negotiate Costs and Performance Guarantees
  - Financial evaluation and review
  - Review of current voluntary plans and enrollment process
  - Integrated health approach
  - Disease and Population Health Management and similar programs
  - Design and implementation of Wellness Programs
  - Routinely inform you of changes and/or trends in the benefit marketplace
- 3. Vendor Evaluation and Marketing**
  - Aggressively market your benefit programs
  - Hold quarterly meetings to provide updates on market conditions, and plan performance
  - Provide a pre-renewal meeting 120 days prior to the renewal to set the strategy for the upcoming renewal and to provide a financial forecast
  - Aggressively negotiate and analyze carrier renewals and proposed plans to meet your objectives & help identify innovative cost savings ideas
  - Prescription Drug Consulting
    - Evaluation of your current program design, vendor evaluation, and set-up
    - PBM “RFP”
    - Benchmarking & Plan Design Consultation
  - Marketing & Consulting for Ancillary Benefits/Vendors
  - Develop Request For Proposals
  - Monitor published financial information about your current/proposed insurers and alert you should their status change below a A- AM Best rating
  - Develop, recommend, negotiate and implement cost effective benefit programs
- 4. Data Analysis and Program Monitoring**
  - Analyze and provide customized monthly reports (Claims)
  - Utilization & Benchmarking Reports (Health Plan Intelligence)
    - Benefit Modeling
    - Benchmarking Analysis by Region
  - Network Analysis – discount and access review
  - Provide pre renewal forecasting
  - Evaluate the need for new programs or approaches consistent with changes in your company
  - Identify and analyze trends affecting benefit cost



**5. Implementation, Communication, Compliance Support, and Ongoing Service**

- Form 5500 preparation for signature ready
- On-Line Benefits
  - Set-up
  - Administration, Employee Communication and Maintenance
  - Wellness Communication
- Communication & Education (No charge - Inclusive)
  - Enrollment Meetings
  - Communication materials designed to enhance employee awareness and perception
  - Development of Enrollment/Benefit Materials
  - Payroll Stuffers/Bulletins (No charge for design)
  - Spanish Translations (Free of Charge)
  - Hays Group Solutions Newsletter (first 25 free)
  - Annual Total Reward Statements
- Account Management Services
  - Daily access to account management team
  - Specific, Large, or Executive Claim Issues
  - Assistance with FMLA, ADA, COBRA/HIPAA, ERISA
  - Attorneys on Retainer
  - Forecast Trends
- Vendor Monitoring and Management-Monthly, quarterly or as needed meetings
- Act as liaison between you and your insurance carriers
- Keep you advised of legislative issues

**Services not included in fee:**

- Retirement Plan
- Onsite Clinic Review and Consultation
- Printing Costs
- Call Center Support/Patient Advocacy Services
- Actuarial Studies
- Voluntary/Worksite Benefits Marketing and Enrollment Activities
- International Benefit Marketing and Consulting
- Risk Management Brokerage
- Risk Management Consulting
  - Loss Prevention
  - Claims Review
  - Litigation Management
- Alternative Risk Transfer Feasibility Studies
  - Captive
  - Rent-a-Captive
  - Large Deductible & Self-Insured Retention



**Exhibit B ("Schedule of Fees")**

Hays Companies will provide the services outlined in this agreement for an annual fee of \$50,000 payable in quarterly installments of \$12,500.00. The fee is payable on the first of each quarter beginning with May 1, 2009 through May 1, 2012. Invoices will be generated on the first of each month, May, August, November and February. All insurance contracts associated with the City of Lawrence which Hays is assigned Broker of Record will be net of commissions. Should Hays earn any commission or contingency revenue from insurance carriers directly attributed to the City of Lawrence, the fee will be offset by the earned income.

*Hays Companies will not increase above said fees for the period of 3-years, beginning on April 1, 2009.*

Please note that the consulting fees will remain fixed and will not be changed unless there has been a material or mutually agreed upon change in the scope of the engagement.

The Agreement set forth herein is hereby agreed to and accepted this 30<sup>th</sup> day of April, 2009

