

RESOLUTION NO. 2006-176

AUTHORIZING CONTRACT NO. 2006-082B WITH KAISER PERMANENTE OF OHIO TO PROVIDE HEALTH MAINTENANCE ORGANIZATION SERVICES FOR A PERIOD OF ONE YEAR WITH THREE, ONE-YEAR OPTIONS IN AN AMOUNT NOT TO EXCEED \$5,866,875.00 FOR THE BASE YEAR (GENERAL FUND, VARIOUS DEPARTMENT BUDGETS)

WHEREAS, the Authority provides health care coverage to its employees; and

WHEREAS, the proposal of Kaiser Permanente of Ohio located at North Point Tower, Suite 1200, Lakeside Avenue, Cleveland, Ohio to provide a Health Maintenance Organization Plan (HMO) with Prescription Plan to the Authority for a period of one year with three, one-year options was received on July 31, 2006; and

WHEREAS, negotiations with Kaiser Permanente of Ohio have resulted in an amount not to exceed \$5,866,875.00 based on the rates submitted and anticipated enrollment; and

WHEREAS, the General Manager/Secretary-Treasurer deems the negotiated offer of Kaiser Permanente of Ohio to be the most advantageous to the Authority, price and all other factors considered and recommends acceptance hereof by the Board of Trustees.

NOW, THEREFORE BE IT RESOLVED by the Board of Trustees of the Greater Cleveland Regional Transit Authority, Cuyahoga County, Ohio:

Section 1. That the proposal submitted by Kaiser Permanente of Ohio, as modified by negotiations, to provide Medical HMO and Prescription Plan to the Authority's employees for a period of one year with three, one-year options be and the same is hereby accepted.

Section 2. That the General Manager/Secretary-Treasurer be, and he hereby is authorized to enter into a contract with Kaiser Permanente of Ohio to provide a Medical HMO and Prescription Plan for a period of one year commencing January 1, 2007 and ending December 31, 2007 with options to extend the contract for three additional one-year terms.

Section 3. That said contract shall be payable out of the General Fund, Various Department budgets, in an amount not to exceed five million eight hundred sixty-six thousand eight hundred seventy-five & 00/100 dollars (\$5,866,875.00) for the base year at the rates established based on the Authority's anticipated enrollment. Projected costs are based on current enrollment and rates established for each specific plan for the plan year 2007 and on anticipated enrollment and rates for each of the option years.

Section 4. That said contract shall be binding upon and an obligation of the Authority contingent upon funding for future years, compliance by the contractor to Specifications and Addenda, if any; the Affirmative Action Plan adopted by the Board of Trustees in Resolution 2006-77; bonding and insurance requirements and all applicable laws relating to the contractual obligation of the Authority.

Section 5. That the Greater Cleveland Regional Transit Authority's Board of Trustees expects that Kaiser Permanente of Ohio will attempt to exceed the 10% DBE goal assigned to this procurement.

Section 6. That this resolution shall become effective immediately upon its adoption.

Adopted: October 17, 2006

President

Attest: _____
CEO, General Manager/Secretary-Treasurer



Greater Cleveland Regional Transit Authority
STAFF SUMMARY AND COMMENTS

TITLE/DESCRIPTION: AUTHORIZING CONTRACT NO. 2006-082B WITH KAISER PERMANENTE OF OHIO TO PROVIDE HEALTH MAINTENANCE ORGANIZATION SERVICES FOR A PERIOD OF ONE YEAR WITH THREE, ONE-YEAR OPTIONS IN AN AMOUNT NOT TO EXCEED \$5,866,875.00 FOR THE BASE YEAR (GENERAL FUND, VARIOUS DEPARTMENT BUDGETS)	Resolution No.: 2006-176
	Date: October 12, 2006
	Initiator: Human Resource Department
ACTION REQUEST: <input checked="" type="checkbox"/> Approval <input type="checkbox"/> Review/Comment <input type="checkbox"/> Information Only <input type="checkbox"/> Other _____	

- 1.0 PURPOSE/SCOPE: This action will allow the Authority to enter into a contract to offer its employees accessibility to managed care through a Health Maintenance Organization (HMO).
- 2.0 DESCRIPTION/JUSTIFICATION: The Authority provides medical, prescription drug, dental, vision and life insurance benefits to its employees. This action will enable the Authority to provide a Health Maintenance Organization Plan and Prescription Plan for the period January 1, 2007 through December 31, 2007 with the Authority's option to exercise up to three, one-year options.
- 3.0 PROCUREMENT BACKGROUND: The Request for Proposal was posted on the GCRTA web site and advertised in the local newspapers. Providers were asked to propose on any or all lines of coverage. Proposals were received on July 31, 2006 for this solicitation. Mercer Human Resource Consulting, the Authority's Benefits Consultant, and a panel of Authority employees evaluated the proposals in accordance with established Procurement Policies and Procedures. After negotiations, the proposal of Kaiser Permanente of Ohio was determined to be the most advantageous to the Authority to provide managed care coverage. The Kaiser plan is fully-funded and the Authority's only obligations is for the fixed premium payments. Kaiser's proposed managed care capabilities, a wellness program and competitive prescription drug program are all seen as positive benefits to the Authority.

 Projected costs are based on current enrollment and rates established for each specific plan for the plan year 2007 as detailed in Attachment A and on anticipated enrollment and rates for each of the option years. A cost analysis has been performed by the Procurement Department and the proposal of Kaiser Permanente of Ohio, as modified by negotiations, has been determined to be fair and reasonable to the Authority.
- 4.0 AFFIRMATIVE ACTION/DBE BACKGROUND: All Affirmative Action requirements have been met. A 10% DBE goal was established for this procurement, based on the administrative costs of \$580,470.00. Kaiser Permanente of Ohio has committed to achieve the goal through the utilization of Pinkney-Perry Insurance Agency in an amount of \$58,047 per year.
- 5.0 POLICY IMPACT: This procurement must be completed in order to permit the Authority to enroll employees in its managed health care benefits program in accordance with the Authority's personnel policies and contractual agreements with the labor unions.
- 6.0 ECONOMIC IMPACT: This contract shall be funded through the General Fund, Various Department budgets at an amount not to exceed five million eight hundred sixty-six thousand eight hundred seventy-five & 00/100 dollars (\$5,866,875.00) for the base year. This is a 12.5% increase in total projected costs for plan year 2007.

- 7.0 ALTERNATIVES: Reject this offer. Rejection of the offer would delay procurement of a HMO benefits package and risk not having such benefits available to the Authority's employees.
- 8.0 RECOMMENDATION: This contract was reviewed by the Finance Committee at their October 3, 2006 meeting and recommended for approval by the Board of Trustees. It is recommended that the offer of Kaiser Permanente of Ohio, as modified by negotiations, be accepted and the resolution passed authorizing the General Manager/Secretary-Treasurer to enter into a contract.
- 9.0 ATTACHMENTS: Attachment A.

Recommended and certified as appropriate to the availability of funds, legal form and conformance with the Procurement requirements.

CEO, General Manager/Secretary-Treasurer

ATTACHMENT A			
RECOMMENDED PROVIDERS AND ESTIMATED BUDGET FOR PLAN YEAR 2007			
<u>Employee Benefit Plans</u>	<u>Estimated Enrollment</u>	<u>Plan Type</u>	<u>Funding</u>
<u>[MEDICAL]</u>			
Medical Mutual	1720	PPO/HMO	Self-Funded
Kaiser	627	HMO	Fully-Insured
<u>[PRESCRIPTION DRUG]</u>			
Caremark <i>(Employees enrolled in Medical Mutual are automatically enrolled with Caremark prescription drug coverage.)</i>	1720	PBM	Self-Funded
<u>[DENTAL]</u>			
Medical Mutual	2047	Traditional	Self-Funded
CIGNA - DMO	308	DMO	Fully-Insured
<u>[VISION]</u>			
Spectera	2328	Managed Vision	Fully-Insured
<u>[TERM LIFE INSURANCE]</u>			
Fort Dearborn Life Insurance	3814	Insurance	Fully-Insured
		active & retiree	
<u>[FLEXIBLE SPENDING ACCT]</u>			
Medical Mutual			
<u>TOTAL 2006 BUDGET</u>		\$22,888,000.00	
<u>TOTAL 2007 BUDGET</u>		\$25,749,000.00	
<u>% INCREASE</u>		12.5	