



Finance Committee Meeting

August 18, 2014

Insurance Broker Contract

Item I.A.

Discussion: Review services of a broker for employee benefits insurance.

Background:

On April 22, 2014 the Finance Committee discussed the issuance of an RFP seeking the services of a broker for employee benefits insurance for JWB and the Neighborhood Family Centers (NFCs). The RFP was issued for several reasons:

- It had been five years since the selection of the current broker and good business practice required a review.
- Much has changed in the employee benefits landscape with the Affordable Care Act, and the ability to keep JWB and the NFCs in compliance with ACA is now a key requirement for a broker.
- Since JWB administers insurance benefits as part of its role as an ASO for the NFCs, there was a desire to use the same broker for each organization. It should be noted that JWB and the NFCs have different enrollment periods, are currently using different insurance carriers and are legally different entities and therefore not considered a single group by carriers. These differences will remain in effect.
- There was a desire to have as much transparency as possible related to the broker commission structure even though JWB and the NFCs do not pay those fees directly.

Overview of the Broker/Agent Model

Employers of JWB's size typically use the "broker model" for evaluating and purchasing group health insurance. The broker facilitates the data collection, prepares the RFP, negotiates reasonable rates with the carriers, analyzes the quotes, and makes a professional recommendation based on the market. The broker assists with conducting open enrollment sessions, prepares customized materials, submits and processes changes, provides ongoing support and even advocates on behalf of the employees throughout the year. The broker also ensures the organization remains in compliance with the Affordable Healthcare Act, Section 125 of the IRS, HIPAA, COBRA and other regulations. Without a broker, small organizations such as JWB and the NFCs are generally at a disadvantage with carriers. Brokers offer more negotiating leverage.

Results of the Request for Proposals (RFP) for Insurance Broker/Agent Services 2014

Three firms responded to the RFP: Alltrust Insurance, Brown and Brown Insurance and Arthur J. Gallagher & Co. Alltrust is the current broker for both JWB and the NFCs. All three firms were interviewed by an internal review team of four staff who evaluated applicants using twelve criteria with a maximum total score of 60 points. The criteria covered different aspects of the services to be provided

such as scope of work, fee structure, customer service, and responsiveness, among others. The total averaged result scores of the firms were as follows:

Alltrust Insurance	51.00
Brown and Brown Insurance	49.25
Arthur J. Gallagher & Co.	46.25

Commission and Fees

Under JWB's and NFCs broker model, the broker collects from the carrier an established commission that is a percentage of the insurance premium amount. Premiums are negotiated annually with the carrier(s). In other models, brokers receive a combination of commission from the carriers and fees from the client. The contract that JWB is seeking to establish would define the services to be obtained and the commission fees.

The current commission structure for JWB Plans is as follows:

Medical	Approx. 3.0%
Ancillary Benefits	Approx. 10.0%

The current commission structure for NFC Plans is as follows:

Medical	Approx. 5.0%
Ancillary Benefits	Approx. 14.0%

Based on the proposals, commission structure, information received during the interviews and summary evaluations, the review team recommends Alltrust Insurance for several reasons.

- The two other firms utilized a combination of commission and client fee structure
- Alltrust Insurance demonstrated a thorough understanding of JWB's and NFC's needs and requirement to treat the organizations as separate entities.
- As the current broker, Alltrust has provided excellent service.

With approval of this contract, Alltrust will ensure a commission structure for JWB and the NFCs at the following rate:

Medical	3.5%
Ancillary Benefits	10.0%

JWB Employee Benefits

In 2013, the Board approved JWB Personnel Policies, including medical and dental insurance that is available under the JWB's group insurance policy. Coverage for dependents may be obtained at the employee's option and expense. Vision insurance may be purchased by employees for themselves and their families.

Traditionally, JWB has paid for the medical, dental, and vision single coverage plan and contributes toward the premium of dependent coverage, based on the Board approved budget and premium costs. The plans are evaluated and marketed every year and the group policies are renewed every January.

The short term and long-term disability insurance premiums are paid by JWB. In 2012, the Board approved a transition from self-funded disability programs to programs designed and administered by an insurance carrier. This decision reduced cost and risk exposure for JWB.

JWB's Health Benefits and the Affordable Care Act

Currently, JWB offers three medical plan options under the Florida Blue 2015 plan. There are two dental plans, and one vision plan. JWB's medical plan with Florida Blue 2013 will cease 12/31/2014. Prior to the open enrollment period, Alltrust will solicit for a new plan that is ACA compliant, and appropriate for JWB. The so-called Cadillac Tax takes effect in 2018. With the assistance of JWB's broker, the organization will continue to monitor regulations and remain proactive in offering plans that avoid the excise tax. Even though pre-existing conditions no longer apply when individuals seek coverage, and coverage is available on the exchange marketplace, the majority of Americans still get their health coverage through their employer. It is a key recruitment tool.

NFCs Budget and JWB's ASO Procedures

The Neighborhood Family Centers (NFCs), as well as other JWB funded agencies, have a line item in their respective budgets to cover the insurance costs of their employees. The NFCs are under one "group umbrella" which allows them to get better premium rates as a large 50+ employee group, rather than being considered as individual entities. The costs for insurance are integrated into NFC budgets, they are not additional costs.