

**AGREEMENT**

**BETWEEN**

**THE CITY OF OVERLAND PARK, KANSAS**

**AND**

**MERCER HEALTH AND BENEFITS.**

**FOR BENEFITS CONSULTING SERVICES RELATED TO THE  
CITY'S GROUP HEALTH CARE PLANS**

**HEALTH CARE CONSULTANT AGREEMENT**

THIS AGREEMENT is made in Johnson County, Kansas, by and between the City of Overland Park, Kansas, hereinafter referred to as “City”, and Mercer Health and Benefits, hereinafter referred to as “Consultant.”

WHEREAS, the City desires to utilize the services of the Consultant to provide professional and timely advice and consulting services relating to the City’s group health benefit plans, and

WHEREAS, Consultant by reason of training, knowledge, reputation and experience has expertise in the area of consulting services related to group health benefit plans, and

WHEREAS, Consultant by execution of this Agreement represents itself as being capable, experienced and professionally qualified to undertake and perform the services described herein, and

WHEREAS, the City is authorized and empowered to contract with Consultant for the furnishing of professional consulting services in connection with its group health benefit plans, and

WHEREAS, Consultant agrees to perform the services described herein as an independent contractor and not as an employee of the City, and

NOW THEREFORE, In consideration of the premises and mutual covenants herein set forth the parties agree as follows:

**SECTION I. DEFINITIONS**

As used in this Agreement, the following terms shall have the meanings ascribed herein unless otherwise stated or reasonably required by the Agreement, and other forms of any defined words shall have a meaning parallel thereto.

“Agreement” means this Agreement and any attachments, amendments or supplements hereto, including the Exhibits attached hereto.

"City" means the City of Overland Park, Kansas.

"City Representative" means the person designated by the Overland Park Human Resources Director to coordinate the “Project” and act as liaison to the Consultant.

"Consultant" means Mercer Health and Benefits, and includes all of its employees, agents and assignees and all of its affiliates and subsidiaries, its subcontractors and/or assignees and their respective servants, agents and employees.

"Project” means the total scope of the services to be performed by the Consultant in providing professional and timely consulting services relating to the City’s group health benefit plans, as more fully outlined herein.

“Project Documents” means all documents required or reasonably implied by the nature of the Project, including, but not limited to, plans, specifications, studies, tests, calculations and reports.

## **SECTION II. SCOPE OF PROJECT**

The parties agree and intend that the scope of the Project that is the subject of this Agreement shall consist of the following:

To provide professional and timely advice and consulting services relating to the City’s group health benefit plans to include but not limited to long range planning, plan design and rate negotiation, medical plan management, ongoing management support, employee benefit regulatory affairs and employee communications, all as more fully set forth within this Agreement.

### **SECTION III. CITY'S RELIANCE ON CONSULTANT'S EXPERTISE AND THE LEGAL DEFENSIBILITY OF CONSULTANT'S WORK**

The Consultant agrees and acknowledges that the City has entered into this Agreement based on Consultant's knowledge, reputation, experience and expertise in the area of consulting services related to group health benefit plans. Further, the parties acknowledge that Consultant has represented itself as being capable, experienced and qualified to undertake and perform the services required of it herein, to include the representations set forth in response to the City's RFP for such consulting services, and attached hereto as Exhibit A. The parties agree and acknowledge that the Consultant is responsible for insuring that its performance shall produce professional advice that the City can rely upon. The parties further agree and acknowledge the City's reliance on the Consultant's knowledge, reputation, experience and expertise in the area of group benefit plan consulting services, to include the City's reliance on the legal defensibility of Consultant's advice.

### **SECTION IV. RESPONSIBILITIES AND OBLIGATIONS OF CONSULTANT**

Consultant shall provide a comprehensive review of the City's health benefits program and will assist in the ongoing management of its self-funded health plan and insured dental programs. The Consultant will work with the City's Human Resources Department and management staff. The consultant will also be asked to periodically prepare and make presentations at meetings of the City's Executive Leadership Team, the City Council and/or standing committee(s) of the City Council. The following describes the services and deliverables the Consultant agrees to provide pursuant to the terms of this Agreement:

- A. Evaluate current City health benefits and related financial performance and data.
  - 1) Review the City's current health benefits plans, including evaluation of data on plan member demographics, claims, premiums and other data/information necessary to provide a comprehensive analysis and evaluation of the plans.

A. Evaluate current City health benefits and related financial performance and data (*continued*)

- 2) Review and evaluate the financial structure, premiums, reserves, fees, administrative and stop loss insurance related to the City health benefits plans.
- 3) Recommend alternative methods for the City's consideration for all aspects of the health benefit plans, including (but not limited to) plan design, self insured structure, plan pricing, plan funding and employee/employer premium structure.
- 4) Recommend other actions or reviews that would assist in the City's understanding of the current state of the plan.

B. Plan Design and Rate Negotiation

- 1) Provide recommendations for and assist in the design of the City's health and dental plans.
- 2) Draft and distribute RFP's to carriers and/or administrators.
- 3) Evaluate responses to RFP, including funding options and cost analyses.
- 4) Present results and make recommendations to facilitate the City's plan selection.
- 5) Assist the City in negotiations with selected carrier(s) and administrator(s).

C. Medical Plan Management

- 1) Provide monthly and/or quarterly review and analysis of health benefit plan expenses including an analysis of claims data and summaries of claims, administrative and stop-loss expenses.
- 2) Provide analysis and review of loss ratio and claims history, and emerging utilization trends.
- 3) Conduct annual benchmarking in terms of health benefit plan design and premium contribution of city's health plans against other comparable organizations on a national, regional, and local basis.
- 4) Evaluate plan financial performance and funding strategy.
- 5) Evaluate reserve status and requirements.
- 6) Assist in evaluating the effectiveness of the City's wellness initiatives.
- 7) Assist in evaluating the efficiency of the administrative service provider's performance and reporting and determination of ongoing reporting needs.
- 8) Provide actuarial certification for the City's COBRA rates and provide actuarial attestation for the Medicare Part D subsidy should the City make application.

D. Employee Benefit Regulatory Affairs

- 1) Review and assist the City in interpreting federal (and state if applicable) laws and regulations impacting the Health Plan.
- 2) Assist in an advisory capacity with the City's Appeals Board in reviewing and ruling on appeals from members covered by the Health Plan.
- 3) Review plan documents and provide interpretation.
- 4) Research legal and technical issues and provide information in response to legal and technical questions regarding employee benefit issues.

E. Employee Communication

- 1) Assist with planning and coordinating annual open enrollment and with other employee meetings as needed regarding the City's group health plans.
- 2) Help educate employees in the effective use of plans in containing costs and assist with development of employee communication materials.

F. Long-Range Planning

- 1) Provide ongoing review of City's group health program.
- 2) Assist in development of long-range plans and objectives for the City's health benefit plans.
- 3) Review and discuss contribution and pricing strategies.
- 4) Keep apprised of new products and trends in the health insurance industry and the Kansas City marketplace.
- 5) Provide ongoing review of existing programs; recommend changes in plan provisions, delivery systems, financing alternatives, employee/employer contributions and other areas as may be deemed appropriate by the City and the Consultant.
- 6) Provide assistance in the implementation of all new plans or changes to existing plans.

**SECTION V. RESPONSIBILITIES AND OBLIGATIONS OF CITY**

A. Designated Person

The City shall designate a person to coordinate all Project activities with the Consultant and act as the City's Representative. The designated person or alternate shall be available at all times reasonably necessary to make decisions on behalf of the City. The designated person shall work and coordinate Project activities with the Consultant, however, the designated person shall not be under the direction or control of the Consultant and shall at no time be considered an employee or agent of Consultant.

B. Availability

The City shall reasonably make available to the Consultant the staff necessary to provide the services and performance required herein.

## **SECTION VI. CONSIDERATION AND PAYMENT TERMS**

### **A. Consideration**

For the first year of this Agreement, the City agrees to pay Consultant for professional services outlined in this Agreement, the sum of \$74,000. This annual fee includes the payment of \$20,000 for the Consultant's services related to the City issuing an RFP for health care services during the first year of the Agreement. Should the City renew this Agreement for a second year, the consideration paid by the City will be \$54,000. Should the City renew the agreement for a third year, the consideration paid by the City will be \$56,700. Should the City request the Consultant's services related to issuing an RFP for health services in the second or third year of the Agreement, the City shall pay an additional fee of \$20,000 for each year such RFP services are provided.

### **B. Payment Terms**

Consultant is to remit a monthly invoice for one-twelfth (1/12) of the annual consideration as set forth in Paragraph A above, to the City's Manager, Personnel Services that records the Consultant's monthly activity and the hours expended. Payment for services rendered by Consultant are due and payable by City within 30 days of receipt of invoice from Consultant.

### **C. Cash Basis Law**

The City is obligated only to make payments under this Agreement as may be lawfully made from funds budgeted and appropriated for the purposes as set forth in this Agreement during the City's current budget year. In the event the City does not so budget and appropriate the funds, the parties shall be relieved from all obligations, without penalty, under this Agreement.

## **SECTION VII. REPORTS AND DOCUMENTS**

### **A. Property and Possession**

All reports, studies, analysis, memoranda and related data and material as may be developed during the performance of this Agreement shall be submitted to and be the exclusive property of the City, which shall have the right to use the same for any purpose without any further compensation to Consultant.

### **B. Confidentiality**

All of the aforementioned reports and documents prepared, assembled or compiled by Consultant pursuant to the terms of this Agreement are to be considered confidential and Consultant agrees that it will not, without prior written approval by the City submit or make the same available to any individual, agency, public body or organization other than the City, except as may be otherwise herein provided, subject to the provisions of the Kansas Open Records Act.

### **C. Status of Documents Upon Termination For Cause**

If this Agreement is terminated for cause or for any other reason, all finished or unfinished documents or materials prepared pursuant to this Agreement shall be immediately transmitted to the City by Consultant.

## **SECTION VIII. CONDITIONS OF PERFORMANCE**

### **A. Performance Standards**

Consultant agrees that the performance of all work, services and results therefrom, pursuant to the terms of this Agreement, shall conform to or exceed the recognized professional standards that are prevalent in the professional group health plan consulting field. Further, the Consultant warrants that all work and service performed pursuant to this Agreement shall be performed with the professional expertise, skills and knowledge of state of the art procedures and



techniques in all relevant subject matters including consulting related to the area of group health care programs. The Consultant shall accordingly be capable of performing the necessary consulting and other services required herein, and possess the ready comprehension of the required subject matter and the expertise to recommend effective practical and legally defensible procedures relating to the all of the work it shall perform pursuant to this Agreement.

B. Qualified Personnel

Consultant agrees that all of the work and services to be performed pursuant to this Agreement shall be performed by Consultant or under its supervision and all personnel engaged in the work or services shall be fully qualified to perform such work and services.

C. Subcontracting Services

Consultant shall not subcontract any of the work or services required by this Agreement without the prior written approval of the City. Should Consultant request and the City agree to work being subcontracted, the Consultant shall be as fully responsible to the City for the acts and omissions of its subcontractors and of persons either directly or indirectly employed by said subcontractors , as Consultant is for the acts and omissions of the persons it directly employs.

**SECTION IX. COMPLETION AND PERFORMANCE TIME**

The Consultant hereby agrees to diligently perform and complete all work required by this Agreement and specifically understands that time is of the essence. Consultant shall initiate work on this Agreement no later than June 1, 2007. Further, Consultant and City agree to establish a written calendar no later than June 1, 2007, identifying initiation and completion dates for certain deliverables to include but not limited to the components of an RFP process for health care services. The parties may agree in writing to amend any calendar previously agreed to by the parties.

## **SECTION X. DISPUTE RESOLUTION**

The City and Consultant agree that disputes relative to the project should first be addressed by negotiations between the parties. If direct negotiations fail to resolve the dispute, the party initiating the claim that is the basis for the dispute shall be free to take such steps as it deems necessary to protect its interests; provided, however, that notwithstanding any such dispute, Consultant shall proceed with the work as per this Agreement as if no dispute existed and unless the City indicates in writing it does not want the Consultant to continue with the work; and provided further that no dispute will be submitted to arbitration without the City's express written consent.

## **SECTION XI. PROHIBITION AGAINST CONTINGENT FEES**

A. Consultant warrants that it has not employed or retained any company or person, other than a bona fide employee working for Consultant, to solicit or secure this Agreement, and that it has not paid or agreed to pay any company or person, other than a bona fide employee, any fee, commission, percentage, brokerage fee, gifts, or any other consideration contingent upon or resulting from the award or making of this Agreement. For breach or violation of this warranty, the City may terminate this Agreement without liability or may, in its discretion, deduct from the Contract Price or otherwise recover the full amount of such fee, commission, percentage, brokerage fee, gift or contingent fee.

B. Consultant warrants that it will not accept any fee, commission, percentage, gift, or other consideration from any third party for the performance of any work under the Agreement. Further, the Consultant warrants that the disclosure statement submitted with the Consultant's response to the City's RFP regarding contingency fees, gifts or other consideration, is accurate and the City may rely upon such statements.

## **SECTION XII. TERM**

The term of this Agreement shall commence on June 1, 2007, and shall continue in force through May 31, 2008, unless sooner terminated as provided below. The parties agree that the term of this Agreement may be extended for two additional one-year terms at the option of the City.

## **SECTION XIII. RIGHT TO TERMINATE AGREEMENT**

### **A. Termination for Cause (CITY)**

Without in any manner limiting the right of the City to terminate this Agreement or declare the Consultant in default thereof for any reason set forth herein or in the Request for Proposal documents, if the work to be done under this Agreement shall be abandoned by Consultant; or if this Agreement shall be assigned by Consultant otherwise than as herein provided; or if the Consultant should be judged as bankrupt; or if a general assignment of its assets should be made for the benefit of its creditors; or if a receiver should be appointed for the Consultant or any of its property; or if at any time the City determines that the performance of the work under this Agreement is being unnecessarily delayed, that the Consultant is violating any of the conditions or covenants of this Agreement, that it is executing the same in bad faith or otherwise not in accordance with the terms of said Agreement; then, in addition to other rights the City may choose to exercise, the City may, at its option, serve written notice upon the Consultant of the City's intention to terminate this Agreement, and, unless within five (5) days after the serving of such notice upon the Consultant a satisfactory arrangement be made for the continuance thereof, this Agreement shall cease and terminate. In the event of such termination, the City shall immediately serve notice thereof upon the Consultant, and the City may take over the work and prosecute same to completion, by contract or otherwise, for the amount and at the expense of the Consultant, and

the Consultant shall be liable to the City for any and all excess cost sustained by the City by reason of such prosecution and completion; and in such event the City may take possession of, and utilize in completing the work, any and all documents and other materials as may be necessary therefor. When Consultant's services have been so terminated, such termination shall not affect any rights or remedies of the City against Consultant then existing or which may later accrue. Similarly, any retention or payment of monies due Consultant shall not release Consultant from liability.

B. Termination for Cause (Consultant)

If the City shall be judged as bankrupt; or if a general assignment of its assets should be made for the benefit of creditors; or if a receiver should be appointed for the City or any of its property; or if the Consultant determines that the City is violating any of the conditions or covenants of this Agreement, that it is executing the same in bad faith or otherwise not in accordance with the terms of said Agreement; then, in addition to other rights the Consultant may choose to exercise, the Consultant may, at its option, serve written notice upon the City of the Consultant's intention to terminate this Agreement, and, unless within five (5) days after serving of such notice upon the City a satisfactory arrangement be made for the continuance thereof, this Agreement shall cease and terminate. In the event of such termination, the City shall pay to Consultant all compensation due and owing to Consultant for services provided through the date of termination.

C. Termination for Convenience (CITY)

City reserves the right, in its sole discretion and for its convenience and without cause or default on the part of the Consultant, to terminate this Agreement by providing thirty days prior written notice of such termination to Consultant. Upon receipt of such notice from City,

Consultant shall: (1) immediately cease all work; or (2) meet with City and, subject to City's approval, determine what work shall be required of Consultant in order to bring the Project to a reasonable termination in accordance with the request of the City. If City shall terminate for its convenience as herein provided, City shall compensate Consultant for all work completed to date of termination. Compensation shall not include anticipatory profit or consequential damages, neither of which will be allowed.

D. Any termination of the Agreement for alleged default by Consultant that is ultimately determined to be unjustified shall automatically be deemed a termination for convenience of the City.

#### **SECTION XIV. INSURANCE**

The Consultant shall maintain throughout the duration of this Agreement, insurance in, at minimum, the amounts specified below. All insurance shall be written on an occurrence basis unless otherwise agreed to in writing by the City.

(1) General Liability Insurance

MINIMUM REQUIREMENTS

COMMERCIAL GENERAL LIABILITY POLICY

(Complete Certificate "Form B"):

General Aggregate: \$500,000.00

Products-Completed

Operations Aggregate: 500,000.00

Personal & Advertising

Injury: 500,000.00

Each Occurrence: 500,000.00

Policy must include the following:

- 1) Broad Form Contractual/Contractually Assumed Liability
- 2) Independent Contractors

(2) Automobile Liability Insurance

Policy shall protect the Consultant against claims for bodily injury and/or property damage arising from the ownership or use of all owned, hired and/or non-owned vehicles and must include protection for either:

- a) Any Auto

OR

- b) All Owned Autos; Hired Autos; and Non-Owned Autos.

Limits of liability protection required are the SAME as the limits for the General Liability section.

Policy shall insure the contractual liability assumed by the Consultant under Section XV.

(3) Workers' Compensation and Employers' Liability

This insurance shall protect the Consultant against all claims under applicable state Workers' Compensation laws. The Consultant shall also be protected against claims for injury, disease or death of employees which, for any reason may not fall within the provisions of a Workers' Compensation law. The liability limits shall not be less than the following:

Workers' Compensation:	Statutory
Employers' Liability:	
Bodily Injury by Accident	\$100,000 each accident
Bodily Injury by Disease	\$500,000 policy limit
Bodily Injury by Disease	\$100,000 each employee

There is no requirement that the City be named an additional insured on this policy.

(4) Professional Liability

The Consultant shall maintain throughout the duration of this Agreement Professional Liability Insurance in an amount not less than One Million Dollars (\$1,000,000.00), and shall provide the City with certification thereof, provided there is no requirement that the City be named an additional insured on this policy.

(5) Industry Ratings

The City will only accept coverage from an insurance carrier who offers proof that it:

- 1) Is licensed to do business in the State of Kansas;
- 2) a rating of A or better; and
- 3) Carries at least a Class X financial rating, or

Is a company mutually agreed upon by the City and Consultant.

Certification of insurance coverage in items (1), (2) and (3) above shall be on one of the City's Standard Certificate of Insurance forms, copies of which are attached. Certification of professional liability insurance shall be provided on a separate form provided by the Consultant's insurance carrier. Unless otherwise specified, the City shall be shown as an additional insured on all applicable policies of insurance.

**SECTION XV. INDEMNITY**

A. Definitions

For purposes of indemnification requirements, the following terms shall have the meanings set forth below:

1. "The Consultant" means and includes Consultant, all of its employees, agents and assignees, and all of its affiliates and subsidiaries, its subcontractors and/or assignees and their respective servants, agents and employees; and

2. "Loss" means any and all loss, damage, liability or expense, of any nature whatsoever, whether incurred as a judgment, settlement, penalty, fine or otherwise (including attorney's fees and the cost of defense), in connection with any action, proceeding, demand or claim, whether real or spurious, for injury, including death, to any person or persons or damages to or loss of, or loss of the use of, property of any person, firm or corporation, including the parties hereto, which arise out of or are connected with, or are claimed to arise out of or be connected with, the performance of this Agreement whether arising before or after the completion of the work required hereunder.

B. Indemnity

For purposes of this Agreement, Consultant hereby agrees to indemnify, defend and hold harmless the City, its employees and agents from any and all loss where loss is caused or incurred or alleged to be caused or incurred in whole or in part as a result of the negligence or other actionable fault of the Consultant. It is agreed as a specific element of consideration of this Agreement that this indemnity shall apply notwithstanding the joint, concurring or contributory or comparative fault or negligence of the City or any third party and, further notwithstanding any theory of law including, but not limited to, a characterization of the City's or any third party's joint, concurring or contributory or comparative fault or negligence as either passive or active in nature; provided, however, that the Consultant's obligation hereunder shall not include amounts attributable to the fault or negligence of the City. Nothing in this section shall be deemed to impose liability on the Consultant to indemnify the City for loss when the City's negligence or other actionable fault is the sole cause of loss. With respect to the City's rights as set forth herein, the Consultant expressly waives all statutory defenses, including, but not limited to, those under workers compensation, contribution, comparative fault or similar statutes to the extent said defenses are inconsistent with or would defeat the duty of the Consultant to indemnify the City.



## **SECTION XVI. INDEPENDENT CONTRACTOR**

Consultant is an independent contractor and as such is not an employee of the City.

Consultant is responsible for any and all federal, state and local taxes.

## **SECTION XVII COMPLIANCE WITH EQUAL OPPORTUNITY LAWS, REGULATIONS AND RULES AND OTHER LAWS**

A. The Consultant agrees that:

1. The Consultant shall observe the provisions of the Kansas Act Against Discrimination (K.S.A. 44-1001 et seq.) and shall not discriminate against any person in the performance of work under the present Agreement because of race, religion, color, sex, national origin, ancestry or age;
2. In all solicitations or advertisements for employees, the Consultant shall include the phrase, "equal opportunity employer," or a similar phrase to be approved by the Kansas Human Rights Commission ("Commission");
3. If the Consultant fails to comply with the manner in which the Consultant reports to the commission in accordance with the provisions of K.S.A. 44-1031 and amendments thereto, the Consultant shall be deemed to have breached the present Agreement and it may be canceled, terminated or suspended, in whole or in part, by the contracting agency;
4. If the Consultant is found guilty of a violation of the Kansas Act Against Discrimination under a decision or order of the commission which has become final, the Consultant shall be deemed to have breached the present Agreement and it may be canceled, terminated or suspended, in whole or in part, by the contracting agency; and
5. The Consultant shall include the provisions of paragraphs (1) through (4) above in every subcontract or purchase order so that such provisions will be binding upon such subcontractor or vendor.

B. The Consultant further agrees that the Consultant shall abide by the Kansas Age Discrimination In Employment Act (K.S.A. 44-1111 et seq.) and the applicable provision of the Americans With Disabilities Act (42 U.S.C. 1201 et seq.) as well as all other federal, state and local laws, ordinances and regulations applicable to this Project and to furnish any certification required by any federal, state or local laws, ordinances and regulations applicable to this Project and to furnish any certification required by any federal, state or local governmental agency in connection therewith.

#### **SECTION XVIII. ENTIRE AGREEMENT**

This Agreement constitutes the entire agreement between the parties and supersedes all prior agreements, whether oral or written, covering the same subject matter. This Agreement may not be modified or amended except in writing mutually agreed to and accepted by both parties to this Agreement.

#### **SECTION XIX. APPLICABLE LAW**

This Agreement is entered into under and pursuant to, and is to be construed and enforceable in accordance with the laws of the State of Kansas.

#### **SECTION XX. SEVERABILITY CLAUSE**

Should any provision of this Agreement be determined to be void, invalid, unenforceable or illegal for whatever reason, such provision(s) shall be null and void; provided, however, that the remaining provisions of this Agreement shall be unaffected thereby and shall continue to be valid and enforceable.

**SECTION XXI. TITLES, SUBHEADS AND CAPITALIZATION**

Title and subheadings as used herein are provided only as a matter of convenience and shall have no legal bearing on the interpretation of any provision of the Agreement. Some terms are capitalized throughout the Agreement but the use of or failure to use capitals shall have no legal bearing on the interpretation of such terms.

**SECTION XXII. ASSIGNMENT OF AGREEMENT**

This Agreement shall not be assigned or transferred by the Consultant without the written consent of the City.

**SECTION XXIV. EXECUTION OF AGREEMENT**

The parties hereto have caused this AGREEMENT to be executed in triplicate this day of June, 2007.

ATTEST:

CITY

\_\_\_\_\_

By: \_\_\_\_\_

APPROVED AS TO FORM:

\_\_\_\_\_

Michael R. Santos  
Deputy City Attorney

Mercer Health and Benefits

By: \_\_\_\_\_

ATTEST:

\_\_\_\_\_

Asst. Secretary

CORPORATE ACKNOWLEDGMENT

STATE OF \_\_\_\_\_ )  
 ) SS.  
COUNTY OF \_\_\_\_\_ )

BE IT REMEMBERED That on this \_\_\_\_\_ day of \_\_\_\_\_, 2007, before me, the undersigned, a Notary Public in and for the County and State aforesaid, came \_\_\_\_\_, \_\_\_\_\_ of Mercer Health and Benefits, a corporation duly organized, incorporated, and existing under and by virtue of the laws of \_\_\_\_\_ who is personally known to me to be such officer and who is personally known to me to be the same person who executed as such officer the above instrument on behalf of said Corporation, and such person duly acknowledged the execution of the same to be the act and deed of said Corporation.

**IN WITNESS WHEREOF**, I have hereunto subscribed my name and affixed my official seal the day and year last above written.

\_\_\_\_\_  
Notary Public

My Appointment Expires

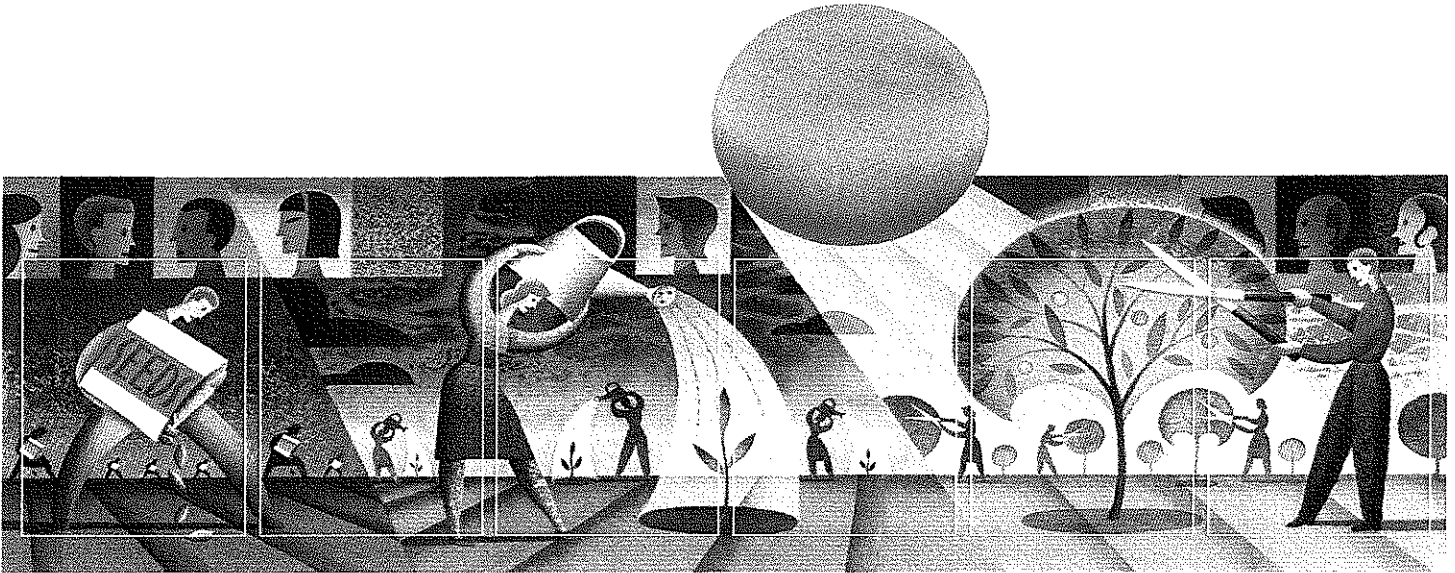
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(If the AGREEMENT is not executed by the president of the corporation or general partner of the partnership, please provide documentation which authorizes the signatory to bind the corporation or partnership.)

## **EXHIBIT A**

# MERCER

Health & Benefits



March 15, 2007

## **Request for Proposal for Benefits Consulting Services**

City of Overland Park, Kansas

Theodore J. Hoffman

Mercer Health & Benefits

2405 Grand Blvd, Ste 1400

Kansas City, MO 64108

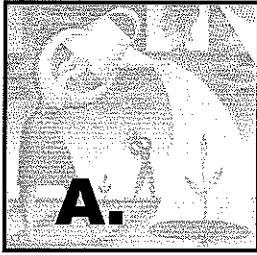
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1. Benchmarking Profile Report
2. Sample Mercer HealthOnline Dashboard
3. HIPAA Brochure and Sample GRIST
4. Benefits Publishing Samples
5. Mercer Additional Services
6. Mercer's Strategy Toolkit and Core Services Checklist
7. Transparency Standards



**Cover Letter**



# MERCER

Health & Benefits

2405 Grand Boulevard, Suite 1400  
Kansas City, MO 64108  
816 556 4822 Fax 816 556 4848  
ted.hoffman@mercer.com  
www.mercerHR.com

March 15, 2007

Mr. Mike Garcia  
Manager, Personnel Services  
City of Overland Park  
8500 Sante Fe Drive  
Overland Park, KS 66212

Subject:

## **RFP for Benefits Consulting Services**

Dear Mike:

Thank you for the opportunity to respond to your request for proposal dated February 20, 2007 for Benefits Consulting Services. Employers are faced with the challenge of offering health care and group benefits for employees while still containing the cost for not only the benefits but for the administration of those benefits.

There is no doubt that a number of brokerage firms will submit a range of proposals to try and meet the needs of the City of Overland Park. But for this very important project, please allow me to show how Mercer Health & Benefits can provide you with the partnership to effectively manage your needs.

- Mercer Health & Benefits is the largest national and international benefit consulting firm. Without question, no firm can compare with our bench strength, expertise, experience, negotiating power and health care tools.
- We are not only large nationally; we have a powerful local representation in Missouri and Kansas. Our Kansas City office has over 15 seasoned professionals dedicated to the health care benefit programs of our clients. This staff includes actuaries, underwriters, consultants, claims processors and administration personnel.
- The Mercer staff you already know and work with will continue to provide support to the City for benefits consulting. I am a member of the GASB 45 valuation and Medicare Part D Mercer consulting team and would be a member of the benefits consulting services team.
- Mercer Health & Benefits has a policy of full commission disclosure. Our organization does not accept any form of contingent commissions from any carrier.

# MERCER

Health & Benefits

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March 15, 2007

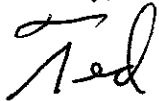
Mr. Mike Garcia

City of Overland Park

We appreciate the opportunity to show the City of Overland Park the services we have available. We look forward to the opportunity to work with you and the employees of the City of Overland Park.

Once you have the opportunity to review our proposal, please contact me if you have any questions. We look forward to assisting you with your future health care needs.

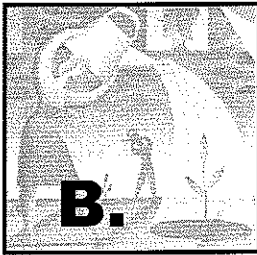
Sincerely,



Theodore J. Hoffman, FSA

TJH:pap:CKD

Enclosure



## **Executive Summary**

**The consultant presenting the proposal should provide a statement of the prominent features of the proposal including any recommendations to enhance the value, effectiveness, and/or reduce the cost of the overall project.**

Hiring the right benefits consulting partner can be of great value, potentially saving the City of Overland Park significant premium and claim dollars, ensuring accuracy of results, and achieving productivity gains through more efficient processes. The right partner can also free up time for the City's staff to focus on other pressing responsibilities and strategic initiatives. And last, but certainly not least, hiring the right partner can bring peace of mind to all those charged with this responsibility.

The City of Overland Park has established a comprehensive Scope of Work in order to achieve the City's health care objectives. Having Mercer on your team can assure results in providing a comprehensive overview of the City of Overland Park's current health benefits program while assisting the ongoing management of the plan.

## **Understanding Overland Park**

One of our objectives at Mercer Health & Benefits is to make sure we know and understand the needs and the culture of our clients. Mercer currently works with the City of Overland Park to provide GASB 45 valuation consulting and Medicare Part D consulting work. Hiring a consulting firm with a "teamwork" approach means that this experience will be an asset for the continued understanding of the City of Overland Park's needs and objectives from several different angles. The staff you currently know and work with will continue to provide support to the City for health care consulting and administration. Ted Hoffman of Mercer is a member of the GASB 45 valuation and Medicare Part D consulting team and would also be a member of Mercer's benefits consulting services team.

### **Delivering What's Promised**

The City of Overland Park requires benefits solutions that address strategic planning, cost analysis and projections, vendor relationship, employee communication, and daily administration issues. For this reason, we take a collaborative, consultative approach to partnering with clients – an approach whose goal is to serve as a trusted business advisor, rather than merely a vendor of products and solutions. This approach allows us to elevate Mercer's mission – delivering solutions and services that make our clients more successful – from a mere statement of purpose to a fundamental structural element of our service delivery model.

The scope of Mercer's resources adds value for clients only insofar as it is supported by consistently excellent service. Mercer is proud of its ability to integrate and channel diverse resources efficiently to meet the particular needs of each individual client.

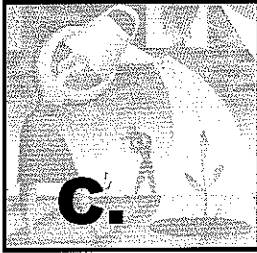
At Mercer, our clients receive the best of both worlds. The City of Overland Park will receive the local support and service from our Kansas City office and the resources of a global organization.

### **Contingent Commissions**

Mercer has a fully transparent compensation model and does not accept contingent commissions from any carrier. Our process includes getting your approval of the markets we will approach when marketing your plans, disclosure of all of the quotes and any changes that occur during the process, and final sign off by you on the final bid that is selected by the City. Our office is audited by MMC auditors annually on this process and the Kansas City office scored 90% on following all of the transparency procedures required by MMC.

### **The Right Choice in Partners**

Mercer offers a depth and breadth of intellectual and technical resources and capabilities coupled with an efficient, responsive service delivery model that is unrivalled in the industry. We look forward to discussing our approach and showing the City of Overland Park how the Mercer team can be the right partner for you!



## **Description of Work Program and Scope of Services**

The City is seeking a consultant to provide a comprehensive review of its Health Benefits program and to assist in the ongoing management of its self-funded Health Insurance and insured Dental programs. The consultant will work with the Human Resources Department and management staff. The consultant will also be asked to periodically prepare and make presentations at meetings of the City's Executive Leadership Team, the City Council and/or standing committee(s) of the City Council. The following describes the types of services the City anticipates receiving as a result of this engagement. The City encourages Consultants responding to this proposal to identify other and/or additional services thought by the Consultant which would add value to this engagement.

### **A. Evaluate Current Health Benefits, financial performance and data of the City**

1. Review the City's current Health Benefits plans including evaluation of data on plan member demographics, claims, premiums, and other data/information necessary to provide a comprehensive analysis and evaluation of the plan.
2. Review and evaluate the financial structure, premiums, reserves, fees, administrative and stop loss insurance.
3. Recommend alternative methods for consideration for all aspects of the plan including (but not limited to) plan design, self insured structure, plan pricing, plan funding and employee/employer premium structures.
4. Recommend other actions or reviews that would assist in the understanding of the current state of the plan.

Mercer has extensive experience in evaluating the financial performance along with the overall effectiveness of health care plans by utilizing teams with specific specialties. This would include Ted Hoffman, Health Care Actuary, reviewing the financial components of your plans while Marian Govreau, lead consultant and Principal at Mercer, reviewing your benefits from a strategic perspective to ensure the City's overall objectives are identified and met. Mercer would begin the process of evaluating the City's Benefit Plan immediately. Additional analysts would be assigned to your account for specific projects and day-to-day assistance.

Mercer will work closely with the City to manage the evaluation and strategic process for the City, including determining the need for a marketing project. Mercer would use our recommended and proven approach. We describe the key steps for the process below:

***Planning meeting.*** We first hold a planning meeting to confirm objectives, assign responsibilities, establish time frames, and review data requirements. This meeting also gives us the opportunity to determine the strategy for the upcoming benefit period.

***Inventory of current benefits and plan history.*** We compile the following information pertinent to the type of coverage or service:

- Employee demographics
- Policies and Summary Plan Descriptions
- Premium and claims data for each line of coverage for the last three years
- Historical data on rates, retention, reserves, pooling arrangements and experience trends

This information allows us to:

- Interpret the history of the various lines of coverage
- Review current administrative procedures and contracts and any desired options or changes
- Evaluate the funding method for each plan and make recommendations
- Review plan design and recommend changes that meet the City's goals
- Review established reserves, fees, premiums and stop loss for actuarial reasonableness and competitiveness
- Identify the employee population
- Determine administrative needs
- Identify a list of possible insurance carriers and/or service providers able to deliver the required level of service
- Evaluate cost containment alternatives

Another tool that we use in plan evaluation is the benchmarking data Mercer gathers each year as a result of our Health Care Survey. This survey is the most extensive survey in the industry, with almost 3,000 employer respondents. We can benchmark your plan design, costs, employee contributions, wellness attributes and many other aspects of your plans against other public entity employers or employers of similar size. This will help you make decisions on plan design and cost based on where you want to be in the benchmark group.

## **B. Plan Design and Rate Negotiation**

1. Provide recommendations for and assist in the design of the City's health and dental plans.
2. Draft and distribute RFPs to carriers and/or administrators.
3. Evaluate responses to RFP including funding and options and cost analysis.
4. Present results and make recommendations to facilitate plan selection.
5. Assist the City in negotiations with selected carrier(s) and administrator(s).

## **Cost and Coverage Impact Analysis**

Carrier, plan design, and contribution changes can have a significant impact on your benefit programs. This can range from cost shifts from the plan to the participants, to plan design and participant risk, and often enrollment distribution changes that may enhance or diminish net cost savings to the plan sponsor. In advance of implementing any such changes, we analyze the impact on both the employer and employee for each option under consideration and recommend the options that fit best with the City of Overland Park's corporate and human resource needs.

**MedPrice** is a Mercer proprietary tool designed for Mercer consultants to use in rating plan design changes to medical plans and modeling the effect of network plan controls and discounts. MedPrice analyzes the impact of both in- and out-of-network use. Focusing on managed care in a fee-for-service environment, MedPrice handles PPOs, POS, and flex programs and directly connects to current contracting and management practices. The system can be customized using client specific data, which helps clients develop a better understanding of their managed care programs and impact of making changes.

## **RFP Process**

Mercer's RFP Process is described below:

***Prepare Request for Proposal (RFP).*** Based on the information received and the analysis provided as a result of our review of your plans, we prepare an RFP and a list of recommended carriers who will receive it. This RFP serves as the basis for all information to be considered, and ensures that all carriers receive consistent information. An integral part of our RFP is the proposal requirements, where we set forth the criteria and format for submission of all proposals. We will seek your review and comments prior to distribution to ensure clear and concise data information for use by the insurance carrier's underwriting department and compliance with any procurement requirements.

***Proposal process.*** We utilize BenefitPoint technology to develop and distribute our RFP to carriers which improves accuracy and efficiency in this process. After we release specifications, our staff is available to answer carrier questions and provide additional information. We sometimes provide all bidders with written responses to questions that

are raised. This relieves your staff of involvement with general questions from carriers and provides coordinated and consistent dissemination of information.

Our competitive bid specifications are developed to attract carrier participation and to maximize the opportunities available in the marketplace. We analyze the proposals submitted and aggressively negotiate terms and conditions. We recommend the carriers most able to meet your needs from cost, service, and financial stability standpoints. Our organization's success and many years of experience in the employee benefits industry provide us with excellent market leverage to negotiate terms that meet your program goals.

Our initial rate request and renewal specifications request detailed rate information, breaking down administrative fees into separate components. These components include fees to administer claims as well as fees for each type of program included. For example, our request will break out fees for network access, utilization management, health management programs, EAP, and behavioral health.

***Final Analysis.*** Mercer's analysis for the City of Overland Park will be broken into four key components. These components will be presented to the City along with a summary and recommendation from Mercer. The four components consist of:

**Financial Analysis**

1. Compare the financial proposals including fees, stop loss premium, etc.
2. Claims and reserve projections under a self-funded program
3. Show impact on claims using the various quoting carriers and networks taking into account differing discounts and provider disruption

**Provider Network Analysis**

1. GeoAccess analysis
2. Provide disruption analysis
3. Network discount analysis

**Pharmacy Benefit Management**

1. Pricing summary
2. Pharmacy claim projections

**TPA Services Overview, including:**

1. Description of services included in the fees quoted
2. Negotiate performance guarantees
3. Negotiate multiple-year fee guarantees

Mercer is available to meet with the City Council, committees, or other stakeholders to present the results of the marketing project.



## Program Implementation

We will help you implement your new program(s) by:

- Working with you and the vendors to ensure accurate and timely installation of the plan;
- Assisting with development and coordination of the employee communication process, including employee meetings;
- Following up after the effective date to assure all information has been provided;
- Proofreading and assisting in review of applications and contracts; and
- Reviewing Summary Plan Descriptions, plan parameters, and plan documents.

### C. Medical Plan Management

1. **Provide monthly and /or quarterly review and analysis of plan expenses including and analysis of claims data and summaries of claims, administrative and stop-loss expenses.**
2. **Provide analysis and review of loss ratio and claims history, and emerging utilization trends.**
3. **Conduct annual benchmarking of health plan against comparable organizations on a national, regional, and local basis.**
4. **Evaluate plan financial performance and funding strategy.**
5. **Evaluate reserve status and requirements.**
6. **Assist in evaluating the effectiveness of the City's wellness initiatives.**
7. **Assist in evaluating the efficiency of the administrative services provider's performance and reporting and determination of ongoing reporting needs.**
8. **Provide actuarial certification for the City's COBRA rates.**

At Mercer, we provide our clients with a full comprehensive reporting package that is individualized to meet the needs of each client. **Mercer HealthOnline** is a claims utilization report that is used to provide an ongoing analysis of your claim data. The report provides a snapshot of the most recent two years of data and compares the current plan period to the prior period. The report also includes benchmarking data that is imperative to making informed and critical decisions concerning your benefit program.

Mercer's experience report provides a financial tool used to gather and compare plan expenses and claims data to funding strategy and premium equivalents. This financial report is provided monthly and analyzes how your plan is performing against budget. We use this to forecast your renewal at any time during the year that you would need this information.

We addressed benchmarking in Item A, but to reiterate, Mercer has a variety of tools to benchmark your plan and costs using the Health Care Survey data. Some of these reports can be run right from our desktops at a moment's notice.

## Account Management/Stewardship

We will assist in ongoing/day-to-day plan management, including:

- Conducting a pre-renewal analysis six months in advance of the renewal,
- Assisting in development of employee communication materials,
- Responding to questions regarding insurance programs and employee benefits,
- Communicating legislative changes at a state and national level,
- Providing up-to-date resources and state-of-the-art technology, and
- Providing resolution to issues not acceptably addressed through normal channels.

## Renewal and Negotiation

Mercer's renewal approach begins with knowing market trends. We are in the marketplace, negotiating with underwriters each and every day. We have extensive knowledge about changes in the insurance market, the newest products and coverage, and the latest price trends.

With our substantial client base, we have a significant depth of experience in negotiating with carriers/vendors of all types. Our staff of actuaries and former underwriters has the background necessary to effectively negotiate on behalf of our clients. We work with a large variety of providers, which enables our staff to see trends and practices that might not be evident to our competitors. Our market leverage is critically important in negotiations.

We know which carriers/vendors are typically the most competitive in terms of cost. We know which carriers/vendors are providing the best service to our clients. We are also familiar with the contracts of numerous carriers/vendors, as they have made changes in recent years to decrease costs and shift additional liability to their clients. Our renewal process begins with an early renewal projection, provided six months before the renewal date. This is always the first step in our renewal process. We will continue to monitor the City of Overland Park's claim experience (as available) until we receive the insurance company's renewal. By planning ahead, we can discuss the need for plan changes to meet your budgeting needs.

When the renewal is released by the carrier/vendor, we use a variety of methods and tools to evaluate the renewal and arrive at a satisfactory result:

- **Cost-Based Negotiations** – We are often able to provide evidence of overly conservative assumptions, excessive profit margins, actuarial/underwriting errors, or other hidden costs which result in concessions by the vendors. We will negotiate the best possible arrangement with respect to coverage and price.
- **Competitive Pressure** – We will recommend a marketing project when we determine the carrier's renewal is not acceptable. By contrasting the competing proposals and negotiating with bidders where their proposals are weak, we will typically find a lower cost option. We have found this approach effective with financial quotes for

both administrative services and insured coverages, as well as in obtaining attractive coverage provisions.

### **Wellness**

Mercer's Health & Productivity Management practice is dedicated to working with clients and their wellness plans and initiatives. We provide planning, benchmarking, recommendations, and program design to allow our clients a full understanding of the return of investment on their wellness program. We will also use the data from the quarterly utilization report to integrate with the wellness plan in order to focus our wellness efforts in the most appropriate areas.

### **Actuarial Support**

Ted Hoffman, FSA, will be the lead actuary on your account and will provide information on the plan's financial performance, funding strategy, reserve requirements and the actuarial certification of your COBRA rates. Ted will be the lead in assisting the City with plan design pricing and effects on cost when plan changes are made. Ted is supported by another FSA and ASA in the Kansas City office.

### **D. Employee Benefit Regulatory Affairs**

1. **Review and assist the City in interpreting federal (and state if applicable) laws and regulations impacting the Health Plan.**
2. **Assist in an advisory capacity with the City's Appeals Board in reviewing and ruling on appeals from members covered by the Health Plan.**
3. **Review plan documents and provide interpretation.**
4. **Research legal and technical issues and provide information in response to legal and technical questions regarding employee benefit issues.**

### **Legislation**

We welcome the opportunity to work with the City of Overland Park to ensure compliance and help develop the necessary infrastructure and processes to remain compliant. There are numerous benefits to partnering with Mercer in this capacity as outlined below.

Compliance assistance is provided by Mercer's *Washington Resource Group (WRG)*, a US legal resource group of more than 35 lawyers, legal professionals, and information specialists. The WRG provides information services to help Mercer consultants and clients stay current on major legal and legislative issues. This group is also available to answer questions posed to us by our clients. Mercer cannot practice law, but we can give you guidance on how to comply with legal issues as they arise with your plans.

### **Industry Trends and Standards**

Mercer has extensive research and support systems to advise clients and professional staff of technical, social, legislative, and economic developments.

We use two primary methods to share ideas, information, and trends. The first method is based on generic, non-client-specific outreach such as town hall conference calls,

webcasts, seminars, our Legal Info Service website (<http://wrg.mercerhr.com/>), and newsletters such as *The Mercer Report*.

- *Washington Resource Group (WRG)* – One of our primary sources of information is Mercer’s WRG, a US legal resource group of more than 35 lawyers, legal professionals, and information specialists. The WRG provides information services to help Mercer consultants and clients stay current on major legal and legislative issues. We distribute information generated by both the WRG and Mercer business groups in various ways.
- *Townhalls* – Mercer sponsors webcasts on timely topics. Recent examples include Medicare reform, key retiree medical issues, and the new accounting standards.
- *Roundtables* – In local offices, we hold client roundtables to educate clients on compelling topical issues. These roundtables allow clients to share experiences and learnings with similar organizations.
- *GRIST Analyses & Perspectives* – The WRG regularly publishes GRIST articles on major legislative, regulatory, and judicial issues and developments.
- *Weekly Highlights* – A weekly roundup of notable retirement, health, compensation, employment, and other human resource developments and issues delivered via e-mail and the web.
- *Legal Info Service (LIS)* – LIS offers Mercer clients electronic access to an up-to-the-minute look at employee benefits legislation currently before the US Congress and information about recent legislative, regulatory, and judicial developments.
- *The Mercer Report* – A monthly publication providing a general overview of recent retirement, health, compensation, employment, and other human resource developments. Available via email, the web, and through regular mail.
- Mercer has an electronic system that automatically reaches out to consultants to inform them of new developments. This system then allows the consultant to tailor a pertinent message to a client contact and automatically send this information directly to them. This system ensures that our clients are never surprised.
- Similar to presentations of more generic information, we will also create presentations that focus on potential impact on the City of Overland Park, possible actions for you to take, and any barriers that may need to be overcome.

### **Claim Appeals**

Mercer is available to serve in an advisory capacity with the City’s Appeals Board in reviewing and ruling on appeals from members covered by the Health Plan.

### **Plan Documents**

As part of our consulting with the City, Mercer will review plan documents and SPDs to ensure accuracy and help with interpretation. This is especially important when changing

carriers, as the contracts and SPDs can many times include errors or not reflect the proposal accurately. We will help you through this process before it creates a claim issue.

#### **E. Employee Communication**

- 1. Assist with planning and coordinating annual open enrollment and with other employee meetings as needed regarding the City's group health plan.**
- 2. Help educate employees in the effective use of plans in containing costs. Assist with development of employee communication materials.**

Assistance with the City's annual open enrollment is included in our core services. We will be happy to plan, coordinate, conduct and assist with open enrollment meetings. We will develop a strategy for the City that works best for your diverse group of employees.

We will design and produce written employee communication materials for use during open enrollment. If you wish to develop a logo and theme for your benefits program and require the assistance of graphic designers with that process, we will be happy to coordinate that with our communication practice. We would need to discuss additional fees resulting in the use of our graphic designers should you wish to utilize their services.

Mercer utilizes Benefits Publishing as a resource for our clients. Having a templated communication solution, such as Benefits Publishing, will allow the City of Overland Park to easily customize communication materials. In Appendix 4 we have included samples of our Benefits Publishing services. Mercer has extensive experience in providing communications to help educate your employees on consumeristic strategies and to increase their understanding of their benefits with the goal of making employees self-sufficient and confident in their benefit choices.

#### **F. Long-Range Planning**

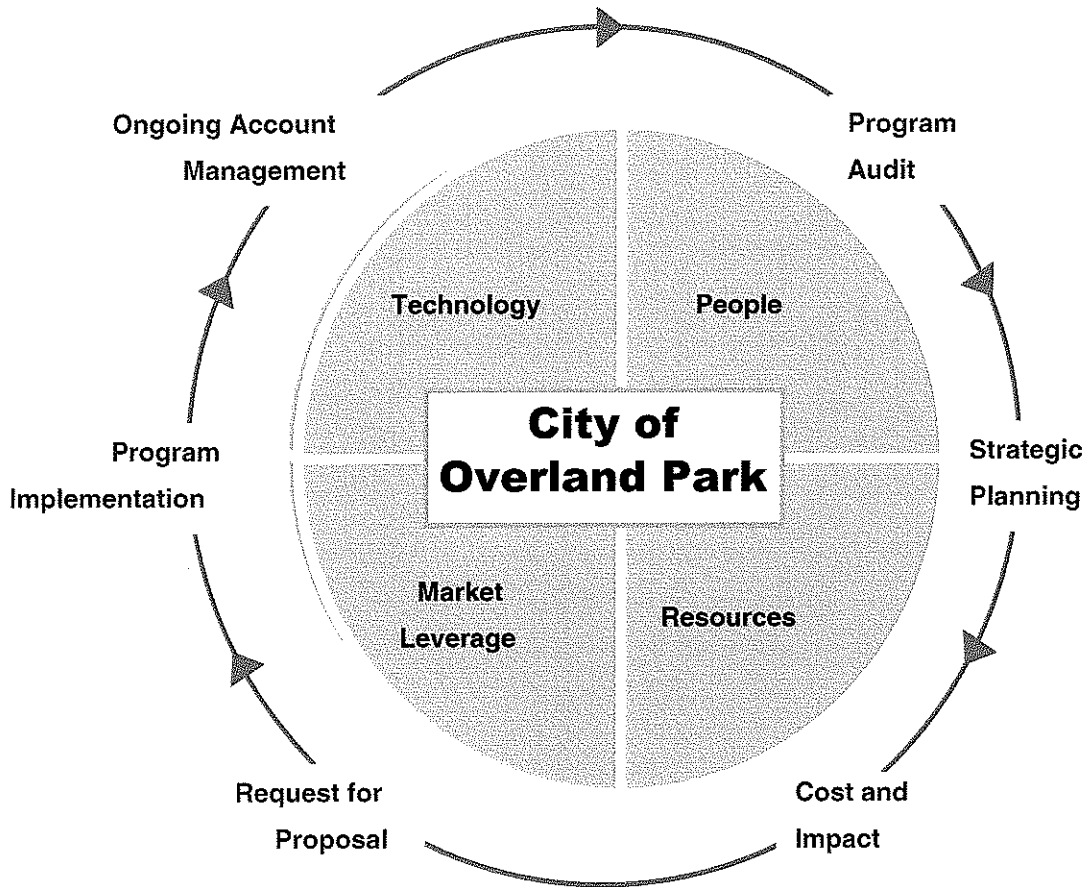
- 1. Provide ongoing review of City of Overland Park group health program.**
- 2. Assist in development of long-range plans and objectives.**
- 3. Review and discuss contribution and pricing strategies.**
- 4. Keep apprised of new products and trends in the health insurance industry and the Kansas City marketplace.**
- 5. Provide ongoing review of existing programs; recommend changes in plan provisions, delivery system, financing alternatives, employee/employer contributions and other areas as may be deemed appropriate by the City and the Consultant.**
- 6. Provide assistance in the implementation of all new plans and changes to existing plans.**

### Strategic Management Process

Our stewardship of your plan is guided by an ongoing process comprised of six components:

1. Audit/Discovery
2. Strategic Planning
3. Cost and Coverage Impact Analysis
4. Negotiations/Marketing
5. Program Implementation
6. Account Management/Stewardship.

Mercer will assist your organization to meet its benefit plan objectives and make informed decisions about the different aspects of your benefits program by utilizing this process in conjunction with our expertise, resources, market leverage, and technology.



## Audit/Discovery

We conduct a complete evaluation of your existing health and welfare benefits programs by:

- Collecting underwriting data,
- Reviewing plan designs,
- Retrospective financial review of renewals and accounting,
- Evaluating claims experience,
- Benchmarking plan costs and features,
- Reviewing administrative services, and
- Evaluating funding methods.

Using the information gathered and evaluated during the audit/discovery phase will provide the foundation for the beginning of the strategic planning process.

## Strategic Planning

Based on the findings of our audit and benchmarking of your plan as well as a discussion of your strategic, financial, and human resources goals, we will work with you to develop an action plan for the year. This plan will include the action items and timing requirements needed to meet your objectives for both budgetary and enrollment purposes.

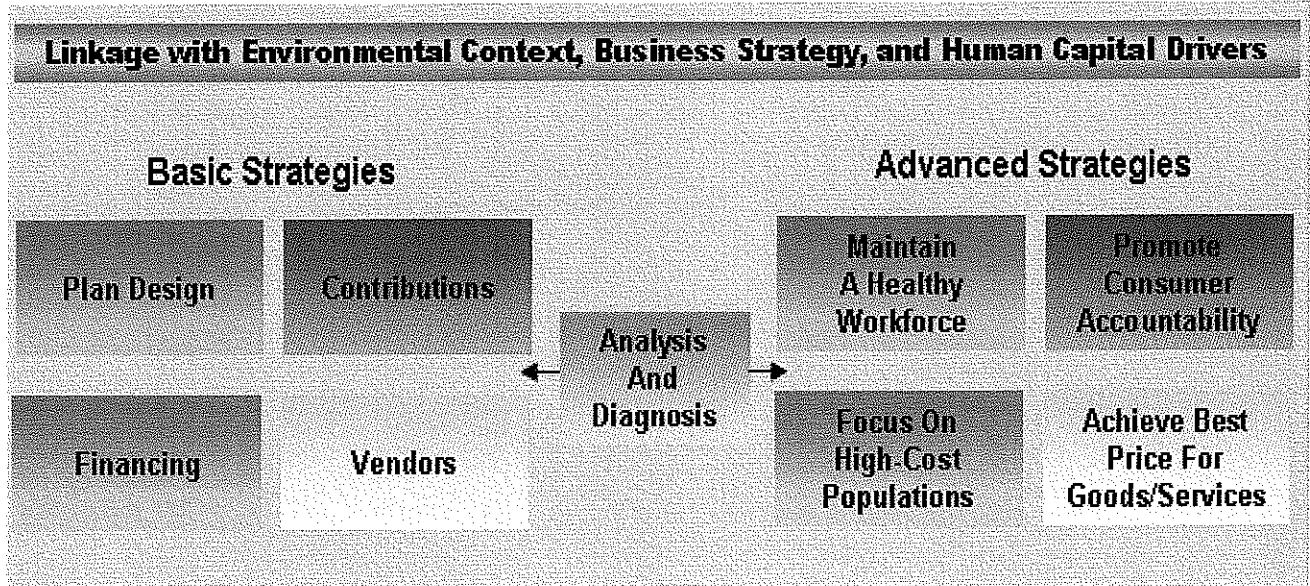
Mercer will also provide our *2006 Benchmarking Profile Report*, a sample of which is included in Appendix 1, using *Mercer's National Survey of Employer-Sponsored Health Plans*. The Survey was first conducted in 1986 and is the largest annual scientific survey on the topic. The survey uses a stratified random sample of US employers (with 10 or more employees) that offer health insurance. Over 2,900 employers participated in 2006. The survey collects detailed information on the type of plan offered, enrollment, cost, and medical plan design (collected separately for PPOs, HMOs, point-of-service plans, and traditional indemnity plans). The survey is fielded from July-September, and results are released at the end of the year. The profile report will show how your plans and costs compare to certain benchmarks.

The **Benchmark Wizard** is a model that uses data from Mercer's survey to create custom health benefit cost benchmarks that reflect over 25 different employer and plan attributes. The customization adjusts the benchmark data to match your demographics to the survey data.

**MedForecast**, a strategic Mercer Health & Benefits forecasting tool, is designed to model the cost implications of basic tactics and advanced strategies over a five-year period. The objective is to provide the City of Overland Park a snapshot of future changes and discuss the implications of various intervention solutions. MedForecast gives us the ability to:

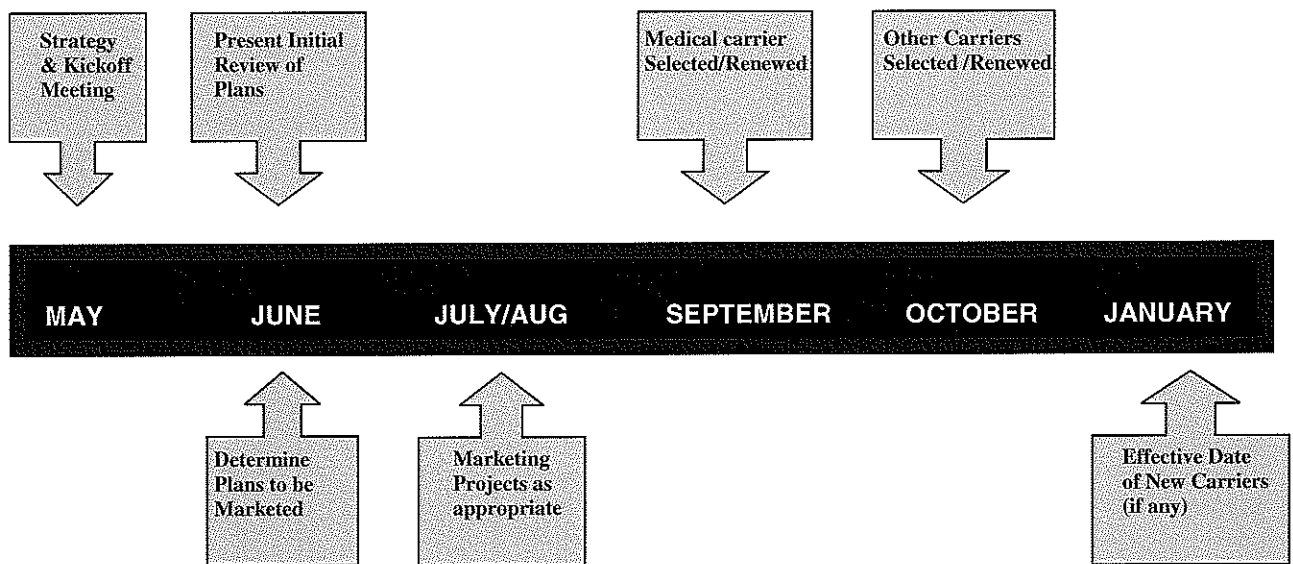
- Project five-year costs based on status quo (i.e., “do nothing”) and on the City’s financial target assumptions;
- Project five-year costs based on the user-specified tactic or strategy;
- Provide specific examples and brief background for each intervention;

- Adjust the impact of the savings opportunity by action items;
- Display results and allow the user to evaluate the effect of the changes from different viewpoints; and
- Open a dialogue around specific short- and long-term goals, demonstrating our ability as strategic partners and thinkers.

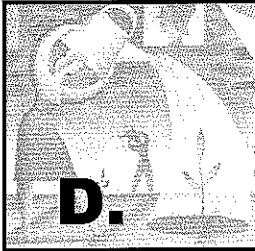


We will help you evaluate eight basic and advanced strategies to maximize short-term and long-term health care cost savings. The resulting strategy becomes the foundation for a three- to five-year plan.

***Sample Working Plan Timeline***







## Qualifications and Experience of Firm

The consultant presenting the proposal response should describe all qualifications of their firm and experience in performing projects of similar nature and scope. The key personnel to be involved on the project team also should be identified and a description of their qualifications and experience included. A list of similar projects completed by members of the project team, with a client reference company, point of contact, and phone number should be included in this section. Local government references are preferred.

The proposed work will be handled by Mercer's Kansas City office. The principal management personnel – our core team with over 70 years of combined experience – follow:

*Ted Hoffman* will serve as the actuarial consultant.

*Marian Govreau* will serve as overall account manager and lead consultant.

*Connie Frick* will serve as project manager and benefit analyst.

*Mark Whiting* will serve as strategic advisor.

## Mercer's Strengths in the Health Care Marketplace

During our 69 years of consulting experience, we have developed expertise in all areas of human resource management, including working with such benefits as medical, dental, life, accidental death and dismemberment, short- and long-term disability, vision, dependent care and health care flexible spending accounts, long-term care, and voluntary benefits. Mercer has the experience, resources, and capabilities to fulfill the requirements of the most complex organizations. Our health care & group consulting professionals have extensive experience in advising clients on cost management, design, financing, vendor negotiations and solicitation, employee communications, and compliance for all types of health care, group insurance, and flexible benefits programs. Our staff also includes individuals with clinical experience in medicine, pharmacy, disease management, and absence management. Our consulting expertise includes:

- Experience in providing consulting services on emerging trends in competitive benefit practices, legislative changes, and short- and long-term benefit design considerations;
- The ability to evaluate current plan designs and vendors, making appropriate recommendations, which include short- and long-term cost implications;
- Skills in negotiating competitive rates and renewal contracts annually for all health and welfare plan offerings;
- Experience in providing technical expertise in soliciting and evaluating vendors' proposals, contract coverage and interpretations, and ensuring vendors and plans meet all of the City of Overland Park's regulatory, policy, and contractual obligations; and
- Vendor partnerships that allow us to provide ongoing vendor liaison services for the City of Overland Park.

### **Mercer's Experience in the Public Sector**

Mercer has extensive experience in providing benefit consulting services to public sector employees. As the world's leading human resources consulting firm with offices in 82 US cities, Mercer is extensively engaged in providing actuarial and benefits consulting services to the public sector. We have served nearly every state in the Union in some way and dominate Medicaid managed care consulting to state governments. Through these client engagements, we understand that public sector employers are subject to several levels of scrutiny in the management of employee benefit plans. We understand that some of the complications of managing benefit plans that public employers face are:

- Public scrutiny of how dollars are spent,
- Public bid requirements in the establishment of provider relationships,
- PERS and ORSRP and other mandated obligations, and
- A large portion of employees under collective bargaining agreements.

These challenges require that public plan sponsors be more thorough in the review of legislation, sensitive to the government environment, and meticulous in the administration of employee benefit plans. On a national level, Mercer has over 500 public sector clients, has established a national public sector task force, and participates in and provides speakers and guidance to such associations as NPELRA and various public and private coalitions or health care.

Additionally, our expertise essential to success in consulting with complex organizations includes:

- Conducting and facilitating joint labor/management workshops to gain consensus on issues and desired outcomes;
- Developing, analyzing, and pricing plan designs;
- Producing data analysis resulting in explicit information concerning benefit plan costs and results for use by decision makers and reference by other stakeholders;
- Benchmarking plan designs, cost-sharing provisions, and other benefit features against regional and industry norms;

- Designing strategies to identify and exploit technology to supplement employee communications with targeted, timely, and customized health care messages to employees in order to encourage, motivate, and maintain health;
- Consulting on a wide range of PERS/OPRSP issues, GASB, HIPAA, and other areas of compliance; and
- Employing sophisticated project management techniques which help our consultants work with complex clients to clarify expected results, confirm progress and scope against agreed-upon deliverables, plan, identify and escalate risk and project issues quickly, and work collaboratively with clients

**Bios of your Mercer – Kansas City team follows:****Ted Hoffman**

Ted is a principal and an actuary in Mercer's Health & Benefits business in the Kansas City office. He provides actuarial services for clients with self-insured medical and dental plans, including rate setting, reserve analysis, and trend analysis. Ted also works extensively with postretirement medical plans in the areas of plan design and SFAS 106 and GASB 45 actuarial valuations and projections.

Ted joined Mercer in 1990 receiving his bachelor's degree in business administration from the University of Nebraska with an emphasis in actuarial science. He is a Fellow of the Society of Actuaries and a Member of the American Academy of Actuaries, as well as a member of the Employee Benefit Professionals Association, the Heart of America Employee Benefits Conference, and the Kansas City Actuaries Club.

**Marian Govreau**

Marian is a principal, benefits consultant, and advisory segment leader in the Mercer Health & Benefits business in the Kansas City office. Marian provides ongoing guidance and support to clients in all aspects of employee benefit plan management, including plan design, funding arrangements, renewal negotiations, regulatory compliance, and ongoing vendor management.

Marian has been in the employee benefits field since 1985. She joined Mercer in 2005 after spending 10 years with another major consulting firm. She has prior experience as an account executive for a third party administrator and as a group representative for a national carrier.

Marian received her bachelor's degree in business administration from Central Missouri State University in Warrensburg, Missouri. She is a past president of the Greater Kansas City Employee Benefit Professionals Association and is a member of the Kansas City Compensation and Benefits Association.

**Connie Frick**

Connie is a senior associate in Mercer's Health & Benefits business in Kansas City. She has over six years of experience in health and welfare benefit programs. Her current responsibilities include assisting with plan design, plan funding and carrier negotiations/management; serving as lead project manager for marketing projects; conducting market analysis, recommendations, and implementation; and communicating to clients' compliance with legal requirements and current market conditions.

Prior to joining Mercer in 2005, Connie was a health and welfare consultant for another major consulting firm. Her client experience includes working with the Cerner Corporation, Werner Enterprises, Helzberg Diamonds, and Butler Manufacturing.

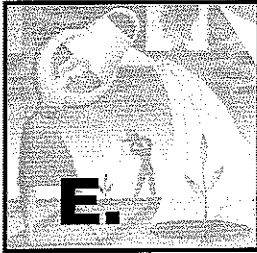
Connie received her bachelor's degree in business administration from the University of Kansas and her master's degree from Webster University. She is the president of the Heart of America Employee Benefits Conference and a member of the Greater Kansas City Employee Benefit Professionals Association.

**Mark Whiting**

Mark is a principal in the Health & Benefits business in Mercer's Kansas City office. He has over 17 years of experience in the design, funding, and administration of health care and group benefits. Mark's areas of expertise include plan design, plan funding, vendor selection, carrier negotiations, and health plan administration claim audits. He also is experienced in flexible benefit plan design and operation, and has served as project leader on several major flex plan design and implementation assignments. In addition, Mark has consulted with health care providers regarding the development of managed care products.

Prior to joining Mercer in 1986, Mark served as an underwriter for a major insurance carrier, with responsibility for renewal and new case underwriting, new product development, and management of account executive cases.

Mark received his bachelor's degree from the University of Northern Iowa. He is past president of the Greater Kansas City Employee Benefit Professionals Association, and is a member of the Heart of America Employee Benefits Conference and the Kansas City Compensation and Benefits Association.



## **Program Costs**

**Consultant must include all costs associated with their proposal.**

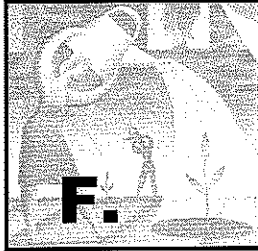
The Mercer Core Services Checklist, outlining the services offered to the City of Overland Park, is included in Appendix 6. This checklist can be used by the City of Overland Park to compare the services offered in other proposals.

**Total annual compensation:           \$70,000**

Mercer can accept payment for our services on a commission only basis, a fee only basis or a combination of the two. We work with our clients to determine an arrangement that works best for their budgeting process.

We disclose all compensation received from any and all sources. We do not accept contingent commissions. Mercer colleagues will act in the best interest of the City by employing transparent compensation arrangements and by utilizing fully disclosed bidding and evaluation methods to negotiate with and obtain coverage from the insurance markets on behalf of clients.

Please refer to Appendix 7 for our Transparency Standards for Insurance Transactions.



## **Disclosure Requirements**

# MERCER

Health & Benefits

## **Disclosure #1**

Mercer Human Resource Consulting, LLC and its separately incorporated operating entities , including Mercer Health & Benefits LLC, around the world are part of Marsh & McLennan Companies, Inc., a publicly held company (ticker symbol: MMC) listed on the New York, Chicago, Pacific and London stock exchanges.

## **Disclosure #2**

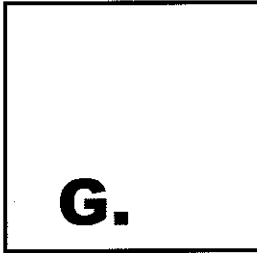
Mercer is only compensated on a fee-for-service basis or through direct commissions. Mercer does not accept any form of contingent commissions from any carrier.

## **Disclosure #3**

The Kansas City office of Mercer Health & Benefits has participated in 97 health benefit consulting engagements the past two (2) years. Again, we have been compensated on either a fee-for-service or direct commission basis. We have not been compensated through any contingent commissions. If the City is interested in knowing the number of health benefit consulting engagements for the entire company, we can provide this additional information at your request.

## **Disclosure #4**

In the ordinary course of business, Mercer is involved with litigation and other legal proceedings, investigations, and inquiries, some of which are conducted on an industry-wide basis. The outcomes of currently pending litigation, investigations, and inquiries are not expected to have any material adverse effect upon Mercer or its ability to service its clients in the ordinary course.



**Company Information**

**Company Information:**

Company Name: Mercer Health & Benefits  
Address: 2405 Grand Boulevard, Suite 1400  
City, State, Zip: Kansas City, MO 64108  
Phone Number: 816-556-4800 Fax Number: 816-556-4848

**Company Official Submitting This Proposal:**

Name: Theodore Hoffman  
Title: Principal  
Address: 2405 Grand Boulevard, Suite 1400  
City, State, Zip: Kansas City, MO 64108  
Contact Email: ted.hoffman@mercerc.com  
Phone: 816-556-4822 Fax Number: 816-556-4848

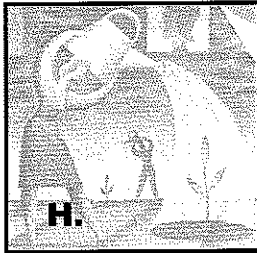
Signature: *Theodore Hoffman*

As a Principal of the firm, I am authorized to submit this proposal on behalf of Mercer Health & Benefits.

**Primary Company Contact Person Regarding This Proposal:**

Name: Theodore Hoffman  
Title: Principal  
Address: 2405 Grand Boulevard, Suite 1400  
City, State, Zip: Kansas City, MO 64108  
Contact Email: ted.hoffman@mercerc.com  
Phone: 816-556-4822 Fax Number: 816-556-4848





## References

**1. Company Name:   MARCIT**

This client is a public entity self-insurance pool providing workers' compensation, liability, property, health, dental, and vision insurance to a membership of more than 70 Missouri and Kansas local governments. From our Kansas City office we provide full health and welfare consulting services, strategic planning, rate setting, rate negotiations, and conduct regular board meetings

**MARCIT will be happy to act as a reference should Mercer Health & Benefits be selected as a finalist**

**Contact Name & Title**

**Address:**

**City, State, Zip:**

**Contact email:**

**Phone:**

**Fax:**

**2. Company Name:           City of Lenexa**  
**Contact Name & Title: Ms. Kim Marshall, Human Resource Director**  
**Address:                   12350 2. 87th Street Parkway**  
**City, State, Zip:         Lenexa, KS 66215-2882**  
**Contact Email:           kmarshall@ci.lenexa.ks.us**  
**Phone: 913-477-7574      Fax: 913-477-7589**

**3. Company Name:         Missouri State University**  
**Contact Name & Title   Howard Berriman, Assistant Director of HR**  
**Address:                   901 South National Avenue**  
**City, State, Zip:         Springfield, MO 65897**  
**Contact email:           HowardBerriman@missouristate.edu**  
**Phone: 417-836-6616      Fax: 417-836-6789**

**4. Company Name:** Children's Mercer Hospital  
**Contact Name & Title:** Dan Wright, Vice President of Human Resources  
**Address:** 2401 Gillham Road  
**City, State, Zip:** Kansas City, MO 64108  
**Contact email:** dwright@cmh.edu  
**Phone:** 816-234-3146 **Fax:** 816- 855-1989

# MERCER

Health & Benefits

## Vendor Questions

1. If your company does business on a commission basis, please answer the following questions:

- a. Does your company accept compensation from health care providers in any form other than “base commissions” as that term is described in the attached United Health Care Overview of Producer Compensation? If your company accepts contingent commissions, overrides or any other form of compensation please state clearly the nature of that compensation.

**Mercer Health & Benefits does not accept any form of contingent commissions or overrides. We will accept base commissions with prior written approval by the client. Some clients choose to have their insurance coverage with health care providers on a net of commission basis and pay for our services on a fee basis only.**

- b. The attached UHC materials indicate that “base commissions are built into the premiums or fees paid by our customers.” Are base commissions paid entirely by the client? If the health care provider pays no part of the base commission, why do United Health Care and other health care providers include the concept of base commissions in their overview of “producer compensation?”

**Base commissions are built into the fees/rates of the health care provider. The level of commissions is a direct add-on to the rate the insurance company needs for claim costs and administration. For example, if base commissions are 2%, your premium rates are increased by 2%. The commissions are paid by the client each month when the client pays their monthly premiums and/or administrative (ASO) fees to UHC and other health care providers. If employees are sharing in the cost of the medical plan, then they are also paying a portion of the commission. The health care provider would then pay your chosen consulting firm the commissions on a monthly basis.**

- c. Keeping in mind that “base commissions” are built into the customers premiums, does your company view the “base commission” only as compensation for brokering the health care product or do you also see the commission as compensation in whole or in part for your general consulting services related to helping the client choose a provider?

**Mercer Health & Benefits views the commissions we are paid on behalf of our clients as part of our total compensation. The commissions can be used for consulting services to assist with servicing the medical plan, searching for a new medical vendor and/or other types of consulting services as needed by our clients. We work with our clients to determine the scope of services they want to be covered by the commissions and formalize that arrangement in an engagement letter.**

- d. Why are base commissions built into the customer's premium? In other words, why does your company not simply charge your clients the amount of the commission directly, rather than adding the base commission to the health care providers quote? If the customer/client is actually paying for the cost of the "base commission," it seems artificial to include the commission in the quote as if the health care provider is paying the cost of the commission.

**Carriers have historically built in base commissions to pay the broker/consultant for their services. Many clients prefer to work this way so they don't have to budget a fee for their consultant/broker. We at Mercer Health & Benefits can be compensated in whatever manner works best for the City of Overland Park. Some of our clients purchase insurance coverages from the carriers on a net of commission basis and then pay us a fee which is determined by the number of hours worked on your account. Other clients pay us exclusively on a commission basis. Other clients prefer to pay for our services using a combination of fees and commissions. The choice is yours. If employees are paying a portion or all of the premium on commission-based plans, then technically employees are paying a portion of the consulting/brokerage fees.**

- e. What administrative processes do health care providers typically use to assess the amount of the base commission? In other words, is the base commission a simple percentage of the quoted amount? Is the base commission assessed as an additional amount of the total cost the health care provider is charging per employee? Is the base commission assessed by some other method?

**Typically on fully insured plans, the carriers quote commissions as a percent of premium. The commission schedule can be on a graded scale or a flat percentage. On self-funded plans, a per employee fee is typically added to the administrative (ASO) fee paid by the client. For small group plans, the commission amount is filed with the state when the insurance company does**

**their rate filings and usually cannot be changed. For larger plans, such as yours, the commission amount is typically negotiated with the broker to cover all the services that you want the broker to provide.**

- f. Why do the health care providers, as opposed to the consultant/brokers, set the maximum amount of the commission the broker may collect? Is this because the health care provider is concerned that exorbitant base commissions may cause a client to reject a quote because the base commission and quote total are too costly?

**As mentioned above, the insurance company usually only sets the commission amount for small group plans and that is filed with each state they do business in. Carriers typically build in about the same level of commission so they can be competitive. Mercer Health & Benefits does not negotiate their compensation with the health care providers. Our compensation is directed by our clients. When we market medical plans, we identify the commission level and each carrier provides a quote using the same commission amount. That way the only difference in premium between carriers is what is needed to pay claims and administrative expenses.**

- g. Do the health care providers establish the maximum base commission through negotiations with the brokers?

**We have not been in any type of negotiations with health care providers to determine compensation. Our compensation is based on the services we provide to our clients and is agreed upon by the client prior to commencement of that work.**

- h. Is your company ever required by a health care provider to charge a base commission? In other words, can your company simply inform the health care provider that you will not accept a commission for placing a particular client?

**The only time a carrier may require a base commission to be paid is if the broker wants to receive an override or contingent commission. Many carriers can't track "net of commission" business and attach it to a certain broker for payment of contingent commissions. Therefore a base commission may be necessary if the broker takes the contingent revenue. Most small plans have commissions that cannot be taken out of the premium. However, a carrier on a larger plan such as yours would not require a base commission be paid. They**

**will sell their plan “net of commissions”. We would be paid a fee from the client in that instance.**

- i. Does your company ever negotiate the amount of the base commission with your client? If so, what factors are considered in establishing the amount of the commission?

**If the client prefers to pay Mercer Health & Benefits on a commission basis for our services, we will discuss with the client the amount of compensation we will need to complete the agreed upon scope of services. We determine our fee by estimating the number of hours and level of staff who will be doing the work our clients are engaging us to do. With written authorization from the client, the amount agreed upon can then be included in the rates/fees as commissions and paid to Mercer by the health care provider on a monthly basis.**

- j. Does your company in any fashion benefit by charging a client a “base commission” rather than charging a simple direct fee? If not, why does your company accept base commissions?

**We determine ahead of time, with our client, the agreed upon scope of services and our compensation to perform that work. The client then directs us as to how they wish to compensate Mercer - either through commissions or pay through a direct fee (or a combination of the two). There is no benefit to Mercer to receive commissions rather than a direct fee. We are compensated in whatever manner best works for our clients. As mentioned above, the only benefit a broker might have by charging a base commission would be the eligibility to include that account in the calculation of a contingent commission.**

- k. Is there any reason that the “quote” submitted by a health care provider should be different if the health care provider knows the consultant will charge a base commission rather than a direct fee?

**The quote submitted by the health care provider that is net of commissions should be less than a quote submitted that includes commissions.**

- l. Is there any reason why your clients would prefer paying you a base commission rather than a direct fee?

**For budgeting purposes, some clients find it easier to have their consultants paid through monthly commissions rather than having a line item on their budget for consulting services. Either arrangement (or a combination of the two) is agreeable to Mercer Health & Benefits.**

- m. If the “base commission” received by your company exceeds the “agreed to fee for service” for the consulting engagement, will your company return to your client any amount of the commission that exceeds the “agreed consulting fee?” If so, do you return commissions in excess of the consulting services fee to all of your clients?

**State insurance laws do not allow for us to return commissions to our clients-it is considered “rebating”. Rather than return the commissions, we discuss with our clients any additional services they may need performed by Mercer Health & Benefits.**

2. If your company accepts compensation through the payment of direct fees, is your company still considered by the health care provider as the “broker of record?” If so, what does it mean to be the broker of record?

**If we were retained by the City of Overland Park and compensated through direct fees, we would still need to be appointed as “broker of record” on the City’s health care plan. The broker of record letter authorizes the health care provider to release plan performance and utilization information to us that allows us to handle and service your account. This would also give us authorization to negotiate renewals, review necessary documents and day to day service issues.**

3. Does your company have a marketing or distribution agreement with United Health Care or any other health care provider? If so, what are the provisions of the agreement relating to compensation?

**Mercer Health & Benefits has no marketing or distribution agreement with United Healthcare or any other health care provider.**

4. Does your company have a relationship with any health care provider that entitles your company to offer the provider’s products at discounted rates, based on the quantity of business you place with the health care provider? If so, what are the discounted rates and the level of business necessary to attain these discounted rates?

**Mercer Health & Benefits does not have any relationships with health care providers that entitle us to discounted rates based on the quantity of business we place with that health care provider. However, the volume of business Mercer has with a particular carrier could benefit you as it gives us more leverage as we're negotiating issues with the carrier.**

5. Does your company provide services described in the attached United Health Care Overview of Producer Compensation as "General Agent or Consultant Services?" If so, does your company receive compensation from health care providers for these general agent services?

**Mercer Health & Benefits does not provide the services of "General Agent or Consultant Services" as described in the UHC website. We do not receive compensation from health care providers for general agent services.**

6. Does your company have employees or agents in the Kansas City metropolitan area that will assist in providing day-to-day consulting services in a timely fashion? If so, please state the address of the office and the names of the local employees or agents. If your answer is no, please state how your company would provide day-to-day services in a timely fashion?

**Mercer Health & Benefits has 17 employees located in our Kansas City office at 2405 Grand Blvd, Suite 1400; Kansas City, MO 64108. A team of consultants led by Ted Hoffman and Marian Govreau will be responsible for day-to-day consulting services in a timely fashion.**