REQUEST FOR PROPOSAL
MEDICAL PLANS

RFP #: MED-HR-2010

Brief Description of Requirement:

The City of San José (CITY) is requesting medical plan providers to provide a proposal to offer employee, retiree and dependent medical plan benefits duplicating one, any or all of the current plan options effective January 1, 2011. The CITY is only interested in programs that can mirror their current offerings in terms of plan design and provider arrangements.
INTRODUCTION

1.1 The City of San José is releasing this Request for Proposal (RFP) to solicit bids for group medical insurance and administrative services.

1.2 The City of San José, California (the "CITY") was founded in 1777 as the Pueblo de San José, California's first civilian settlement. In 1850, it was later incorporated as The City of San José, which was one of the first incorporated cities in California and site of the first state capital. Today, San José is the third largest city in California and the tenth largest city in the U.S. Census population totals in 2008 reached 1,006,892 and the CITY covers approximately 178 square miles.

1.3 The CITY's Employee Benefits, Human Resources Department oversees all benefit related programs for both represented and non-represented active and retired participants. The purpose of the Employee Benefits Division is to provide employee benefit programs that best meet the needs of employees, retirees, their dependents and the CITY, and to assist participants to utilize their plans effectively. High-quality employee benefits are essential to the CITY being an "employer of choice" within their local employment market and to attracting and retaining a high-performing workforce. The CITY offers a wide array of high-quality, affordable, and responsive benefit options for over 15,000 employees and retirees, and their dependents.

1.4 The CITY has retained the services of the CITY’s benefits consultant, Buck Consultants, for assisting in the solicitation process for this RFP. As will be explained below, all inquiries, requests for information, objections and other communications about the RFP should be addressed to the CITY contact listed in Section 3. All proposals for this RFP must be submitted through Buck Consultant’s “eRFP” web application, so please see Section 11, Proposal Submittal Requirements, below, for special instructions for submitting your proposal.

BACKGROUND

2.1 The purpose of this bid request is to ensure that the CITY offers the most financially beneficial and comprehensive benefit program to meet the needs of employees, retirees and dependents. The CITY requests that you provide a proposal to offer medical benefits to meet this goal with an effective date of January 1, 2011.

2.2 The proposing group medical insurance company or Third Party Administrator (TPA) is asked to provide the CITY with 1) a fully-insured group medical program AND/OR 2) a self-funded network program through an Administrative Services Only (ASO) structure.

2.3 The reason both options need to be provided is so that the CITY can investigate which funding arrangement will provide them with the most design flexibility and financial benefit.

2.4 The CITY currently provides employees with two medical carriers, Blue Shield of California and Kaiser Permanente Health Maintenance Organization (HMO).
2.5 The CITY seeks bids for all types of group medical plans that the CITY currently provides to employees, retirees and dependents. Blue Shield offers HMO, Point of Service (POS) and Preferred Provider Organization (PPO) plans, with the HMO plan the most populated of the three Blue Shield plans. Early retirees (retirees under age 65) are covered in each of these three programs with separate Blue Shield programs offered to Medicare eligible retirees. All of these groups must be included in your proposal.

2.6 In addition to the above plans, United Health Care (PacifiCare/Secure Horizons) provides coverage to the CITY’s Medicare-eligible retiree population only. The United Health Care plan is a specialized plan that may or may not be replaced depending upon the outcome of this RFP.

2.7 The CITY also offers Kaiser HMO coverage to the CITY’s active and retiree populations.

2.8 Supporting plan descriptions and plan documents for all of the above current medical plans can be found in the benefits consultant’s “eRFP” web application.

2.9 Your quote should assume all of the following possibilities: 1) Continuation of the Kaiser HMO, 2) Continuation of the United Health Care plan for Medicare eligible retirees, and 3) Full replacement of all of the above medical carriers.

2.10 It is important to maintain the CITY’s HMO (or EPO), POS and PPO plan choices.

2.11 In addition to the current plan designs, the CITY is currently in negotiations with most of its employee unions for a new plan design with increased co-pays. It is not known at this time how many employees will be enrolled in the new plan design. It is expected that the new plan design will be available on July 1, 2010 for employees and new retiree plan designs may be available at a later date. Which plan design the employees will be eligible for will be determined by what is agreed to between the City and their union.
# TIMELINE:

<table>
<thead>
<tr>
<th>RFP release date:</th>
<th>Tuesday, April 13, 2010</th>
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<tbody>
<tr>
<td>RFP Contact name:</td>
<td>Rhonda Schmidt, Senior Benefits Analyst</td>
</tr>
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</table>
| Address:                | City of San José – Human Resources  
                          | 200 E. Santa Clara St., 2nd Floor Wing  
                          | San José, CA 95113-1905 |
| Phone:                  | (408) 975-1430           |
| Fax:                    | (408) 999-0862           |
| E-mail address:         | rhonda.schmidt@sanjoseca.gov |
| Deadline for RFP Questions & Objections: | Tuesday, April 20, 2010 |
| Response to RFP Questions & Objections: | Tuesday, April 27, 2010 |
| Due Date for RFP Submission: | Tuesday, May 11, 2010  
                          | 5:00 p.m. PST |
| IMPORTANT: All responses must be submitted via “eRFP.” (See instructions in Section 11 “Proposal Submittal Requirements” below.) |
| CITY’s RFP Contact will provide a link and access code to the CITY’s benefits consultant’s “eRFP” web application. |
| Finalist Interviews:    | Thursday, June 3, 2010 and Friday, June 4, 2010 |
4 SCOPE OF WORK

4.1 Proposer must assure the CITY that they can provide quality medical program administration including a focus on wellness/disease management, a comprehensive and stable network of providers located at a minimum in California for the HMO and POS plan design and at a minimum throughout the U.S. for the PPO plan design, and can support their network savings and administrative capabilities through performance guarantees, established references and reports.

4.2 Due to the inclusion of represented employee coverage, your proposal must duplicate the CITY’s current Medical Benefits program as described in the CITY’s current Evidence of Coverage ("EoC") documents and plan descriptions provided on the benefits consultant’s “eRFP” web application. Any variations must be fully disclosed in your response and may be grounds for elimination from consideration.

4.3 REQUIRED MEDICAL PLAN PROVIDER SERVICES

The CITY seeks a medical plan provider(s) to perform a full range of services related to the ongoing communication, maintenance, and administration of the Medical Benefits Plan(s). The Provider(s) must be capable of providing the following services to the CITY:

4.3.1 Proposer must be a medical insurance provider, not a broker representative, and ranked by either Standard and Poor's or Moody's with a rating of "A" or greater to insure that the CITY is working with a provider that has the financial stability to maintain a multi-year contract with the CITY in support of CITY’s employee and retiree population.

4.3.2 Provide statistical plan reports including utilization data, enrollee distribution reports, status reports and analysis (monthly, periodically, and annually), and other reports as needed and requested by CITY.

4.3.3 Provide administrative services for the plan including fund accounting, claims processing, research and resolution of any issues, complaints, or problems.

4.3.4 Recommend alternatives to current Medical plan design and cost options when requested by the CITY.

4.3.5 Investigate and resolve administrative and claim problems.

4.3.6 Upon request, attend various employee, labor, and management meetings relating to Medical Plans.

4.3.7 Provide administration training for the CITY Benefits staff regarding the plan.

4.3.8 Prepare (open and special) enrollment and plan documents for use in employee and retiree communications guides or letters.

4.3.9 Prepare communication materials, for employees, retirees and dependents, comparing plan options.

4.3.10 Assist CITY Benefits staff in the planning of a minimum of four (4) annual Open Enrollment seminars for employees and retirees (planning to include at least one annual meeting with CITY Benefits staff regarding current seminar information needs).
4.3.11 Attend and present medical plan information (such as medical plan changes for the following calendar year, how to utilize the plan most effectively, etc., per a needs discussion with City Benefits staff), at all annual Open Enrollment seminars for employees and retirees.

4.3.12 Assist the CITY with the development of medical plan employee and retiree benefit summary plan documents.

4.3.13 Advise the CITY on any pending legislation affecting the administration of the medical plans.

4.3.14 If relevant legislation is enacted, provide the CITY with analysis and guidelines for assisting the CITY with the compliance requirements.

4.3.15 Sponsor at least one client forum or seminar on relevant group Medical Benefit Plans issues annually.

4.3.16 Meet with CITY Employee Benefits staff at least semi-annually to review and evaluate medical plan administration.

4.3.17 Provide financially based Performance Guarantee(s) to assure a high level of service to the CITY staff and its employees and retirees.

4.3.18 Provide a dedicated claims issue and eligibility contact and dedicated Account Manager and the ability to change those contacts upon request by CITY.

4.3.19 Agreement to provide a payment to CITY’s wellness programs for up to $250,000 annually in support of the CITY’s wellness initiatives.

4.3.20 Agreement to provide a minimum of five (5) trainings annually to participants of the medical programs.

4.3.21 Provide monthly claims reporting, quarterly lag reporting, and annual claim utilization reporting.

4.3.22 Accept eligibility reporting on a semi-monthly or more frequent basis with a twenty-four (24) hour upload turnaround time to assure timely eligibility capture.

4.3.23 Provide electronically formatted participant communications to be used in the CITY’s news articles and medical flyers.

4.3.24 Provide written participant communications directed to retired participants specifically formatted to be mailed to retiree homes.

4.3.25 Must be experienced with and licensed to provide medical plans in the State of California.

4.3.26 Must be able to provide access to medical plan coverage for out-of-state retired participants.

5 DESIRED QUALIFICATIONS

5.1 Proposer must agree to the requirements of the CITY’s Exemplar Contract, insurance and other documents which can be found in the appendices of this RFP.
5.2 Experience working with government employers of similar size to the CITY.

5.3 Experience with public employer medical plan regulations and administration.

5.4 Experience working with multiple bargaining groups, labor representatives and public officials.

5.5 Ability to provide a multi-year rate guarantee.

6 **HOW TO OBTAIN THIS RFP**

6.1 RFP instructions may be downloaded from the BidSync solicitation posting system. Proposers must register with BidSync at www.BidSync.com. If you have a problem registering online, contact BidSync directly toll-free at (800) 990-9339 or by email at www.BidSync.com.

6.2 Prospective contractors should note that once registered with BidSync, they will be able to view all organizations (with name and contact information) downloading the RFP instructions.

6.3 All notices related to this procurement will be posted by the CITY on BidSync. In the event that this RFP is obtained through any means other than BidSync or the CITY’s benefits consultant’s “eRFP” web application, the CITY will not be responsible for the completeness, accuracy, or timeliness of the final RFP document.

6.4 **Important:** All proposals must be submitted on-line through “eRFP,” the online proposals submittal system of the CITY’s benefits consultant, as described in Section 11 below.

6.5 All addenda related to this procurement will be accessible on the CITY’s benefits consultant’s “eRFP” web application.

6.6 Your proposal will not be considered complete without submitting answers to the “eRFP” Questionnaire and Proposal Certification.

6.7 Please see Section 3 of this document for CITY contact information.

6.8 **Important:** See Section 11, “Proposal Submittal Requirements” for specific instructions for submitting your proposal, including requirements for submittal of all proposals for this RFP through the CITY’s benefits consultant web application “eRFP.”

7 **TERM OF AGREEMENT**

It is anticipated that the term of this agreement will be effective through December 31, 2014, assuming a contract start date of January 1, 2011.

8 **COMPENSATION AND WORK HOURS**

8.1 The proposal should include the premium amount per member per month as indicated in the form provided in the benefits consultant’s “eRFP” questionnaire.
8.2 Pricing for the signed agreement is to remain firm fixed for at least a one (1) year period, although a multi-year rate guarantee is preferred.

9 PROCEDURE FOR SUBMITTING QUESTIONS AND INQUIRIES

9.1 All questions/inquiries related to this RFP, including any questions about the services requested within this RFP, must be made through the contact listed in Section 3 of this document.

9.2 For any questions related to technical issues with the “eRFP” web application or how to submit your proposal on the “eRFP” web application (as described in Section 11 below) can be made to Michele Karplak, Buck Consultants, at (415) 617-3973, or by e-mail at michele.karplak@buckconsultants.com. Any questions about the RFP beyond website technical issues and questions must be made to the contact listed in Section 3 of this document.

9.3 Contact with representative(s) other than names listed in this RFP is grounds for disqualification. The CITY will provide a written response to all questions in the form of an Addendum. The addendum will be posted on BidSync and the “eRFP” web application.

10 OBJECTIONS

10.1 Any objections as to the structure, content or distribution of this RFP must be submitted in writing to the Contact listed in Section 3 of this document. Objections must be as specific as possible, and identify the RFP section number and title, as well as a description and rationale for the objection.

10.2 All objections, questions and inquiries must be received by the deadline stated in Section 3 of this document.

11 PROPOSAL SUBMITTAL REQUIREMENTS

11.1 You must respond to this RFP by the due date and time as stated in Section 3 of this document in order for your proposal to be considered.

11.2 IMPORTANT: Submissions for this RFP will ONLY be accepted through the “eRFP” web application of the CITY’s benefits consultant, Buck Consultants. No other submittals will meet the bid guidelines and will not be acceptable for final consideration.

11.3 Contact the CITY Contact listed in Section 3 for access to the consultant’s “eRFP” web application to submit your proposal.

11.4 Due to the inclusion of represented employee coverage, your proposal must duplicate the CITY’s current Medical Benefits program as described in the CITY’s current Evidence of Coverage (“EOC”) documents and plan descriptions provided on the benefits consultant’s “eRFP” web application. Any variations must be fully disclosed in your response and may be grounds for elimination from consideration.
11.5 REFERENCES
References must be provided as described in the “eRFP” questionnaire located on the CITY’s benefits consultant’s “eRFP” web application.

11.6 FEE STRUCTURE
Medical plan premium information must be provided in the format described in the “eRFP” questionnaire located on the CITY’s benefits consultant’s “eRFP” web application.

11.7 RFP ATTACHMENTS
The “eRFP” web application will provide the following information and required forms.

11.7.1 Proposal Certification Form

11.7.1.1 This form must be provided with your on-line proposal and in hard-copy with original signature(s) within two (2) days of the on-line submittal of your RFP proposal.

11.7.2 Request for Contracting Preferences for Local and Small Businesses Form

11.7.2.1 Submit this form with your proposal only if you wish to be considered for this preference. It may not be submitted late.

11.7.3 CITY’s Terms and Conditions; Exhibit E, Insurance Provisions

11.7.3.1 Selected provider will be required to enter into an agreement with the CITY containing the terms and conditions and insurance provisions set forth in CITY’s Terms and Conditions. If you have any exceptions to the standard terms and conditions, you must note them in your proposal. If there are no exceptions, submit the first page of each Attachment stating “No Exceptions.”

11.7.4 The CITY’s EOC documents for Kaiser Permanente, Blue Shield HMO, Blue Shield POS, Blue Shield PPO, PacifiCare Secure Horizons

11.7.5 Census information for active employees and retirees (HIPAA compliant)

11.7.6 Primary Care Physician and Independent Physician Association membership counts for the HMO and POS Network

11.7.7 Claims experience (monthly and large claims)

11.7.8 New plan designs for Employees and Retirees beginning July 1, 2010

11.7.9 Prescription Reports

11.8 OTHER RFP PROPOSAL SUBMISSION REQUIREMENTS

11.8.1 Responses to this RFP are due by submission through the CITY’s benefits consultant’s “eRFP” website by no later than 5 p.m. on Friday, May 7, 2010.

11.8.2 Quoted rates must assume an effective date of January 1, 2011.

11.8.3 Provide quotes based on the CITY’s current and new plan design(s) effective July 1, 2010.
12 SELECTION PROCESS AND EVALUATION CRITERIA

12.1 SELECTION PROCESS

12.1.1 CITY staff will evaluate proposal submissions. The CITY reserves the right to interview prospective firms/individuals prior to making its selection. The CITY also reserves the right to rely on information from sources other than the information provided by the respondents.

12.1.2 Responses will be evaluated as outlined in this section.

12.1.3 Final award shall be contingent upon selected firm (Contractor) accepting Terms and Conditions in substantial conformity to the terms listed in CITY’s Terms and Conditions provided as an attachment to this RFP.

12.1.4 CITY reserves the right to accept an offer in full, or in part, or to reject all offers.

12.2 EVALUATION CRITERIA

The winning bid will be scored based on the following criteria:

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<th>Description</th>
<th>Weight</th>
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<tr>
<td>Proposal Responsiveness</td>
<td>Pass/Fail</td>
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<tr>
<td>Cost/Value, including by not limited to:</td>
<td>35%</td>
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<td>- Ability to replicate RFP scope of services and provide desired qualifications.</td>
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<td>- Performance standards &amp; guarantees</td>
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<td>- Opportunities for rate stabilization (multi-year cost guarantees, cost increase caps on outlying years)</td>
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<td>Network/Plan Design, including but not limited to:</td>
<td>35%</td>
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<td>- Duplication of network</td>
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<td>- Ability to match current plan design</td>
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<td>- Balance Billing</td>
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<td>Quality, including but not limited to:</td>
<td>15%</td>
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<tr>
<td>- Dedicated Account Management/ Service Teams</td>
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<tr>
<td>- Reference Check</td>
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<tr>
<td>- Customer service hours/ availability</td>
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<td>Description</td>
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<tr>
<td>Expertise, including but not limited to:</td>
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<tr>
<td>- Years in business</td>
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<td>- Financial rating</td>
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<td>- Public Sector experience &amp; number of clients in Public Sector</td>
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<tr>
<td>Local Business Enterprise</td>
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<td>Small Business Enterprise</td>
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<td>Total</td>
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13 **GROUNDS FOR DISQUALIFICATION**

13.1 All Proposers are expected to have read and understood Council Policy 0-35 on Procurement and Contract Process Integrity and Conflict of Interest adopted on February 6, 2007. A complete copy of the policy can be found at:


13.2 Any Proposer who violates the Policy will be subject to disqualification. Generally, the grounds for disqualification include:

13.2.1 Contact regarding this procurement with any CITY official or employee or evaluation team member other than the Procurement Contact from the time of issuance of this solicitation until the end of the protest period.

13.2.2 Evidence of collusion, directly or indirectly, among Proposers in regard to the amount, terms, or conditions of this proposal.

13.2.3 Influencing any CITY staff member or evaluation team member throughout the solicitation process, including the development of specifications.

13.2.4 Evidence of submitting incorrect information in the response to a solicitation or misrepresentation or failure to disclose material facts during the evaluation process.

13.3 In addition to violations of Council Policy 0-35, the following conduct may also result in disqualification:

13.3.1 Offering gifts or souvenirs, even of minimal value, to CITY officers or employees.

13.3.2 Existence of any lawsuit, unresolved contractual claim or dispute between Proposer and the CITY.

13.3.3 Evidence of Proposer’s inability to successfully complete the responsibilities and obligations of the proposal.
13.3.4 Proposer’s default under any CITY agreement, resulting in termination of such Agreement.

14 CONFLICT OF INTEREST

14.1 In order to avoid a conflict of interest or the perception of a conflict of interest, Proposer(s) selected to provide services under this RFP will be subject to the following requirements:

14.2 The Proposer(s) selected under this RFP will be precluded from submitting proposals or bids as a prime contractor or subcontractor for any future procurement with the CITY if the specifications for such procurements were developed or influenced by the work performed under the agreement(s) resulting from this RFP.

14.3 Proposer(s) may not have any interest in any potential Proposer for future CITY procurements that may result form the work performed under the agreement resulting form this RFP.

15 GENERAL INFORMATION

15.1 The successful Proposer will be required to demonstrate evidence of insurance in accordance with the insurance provisions listed in the CITY’s Terms and Conditions (Exhibit E).

15.2 All costs associated with responding to this request are to be borne entirely by the Proposer including any potential commissions to brokers or other agents in connection with this agreement; therefore such commissions or any other hidden fees are prohibited and may not be part of your premium rate proposal.

15.3 It is the CITY’s policy that the selected firm shall not discriminate, in any way, against any person on the basis of race, sex, color, age, religion, sexual orientation, actual or perceived gender identity, disability, ethnicity, or national origin, in connection with or related to the performance of City of San José contracts.

16 LOCAL AND SMALL BUSINESS PREFERENCE

Chapter 4.12 of the San Jose Municipal Code provides for a preference for Local and Small Businesses in the procurement of contracts for supplies, materials and equipment and for general and professional consulting services. The amount of the preference shall be 5 points if the business is local and an additional 5 points if the business is small. In order for the Proposer to be eligible for local and/or small business preference, the Proposer must complete the Request for Contracting Preference for Local and Small Businesses form. If the Proposer fails to complete this form and submit it with the proposal, the Proposer will be denied consideration for local/small business preference. This information cannot be submitted later.

The preference shall only be considered for the prime Proposer(s). However, in the event that the proposing firm is a Joint Venture (JV) or Partnership as indicated on the Proposal Certification Form, then the Local Preference shall apply if any one of the firms in the JV or Partnership meets the definition for a local business. In order for a JV or Partnership to be
considered for the Small Business Preference, then the aggregate of all of the employees that make up the JV or partnership must meet the definition for a small business.

17 PUBLIC NATURE OF PROPOSAL MATERIAL

17.1 All correspondence with the CITY including responses to this RFP submitted through the benefits consultant’s “eRFP” web application will become the exclusive property of the CITY and will become public records under the California Public Records Act (Cal. Government Code section 6250 et seq.) All documents that you send to the CITY, including responses to this RFP submitted through the benefits consultant’s “eRFP” web application,” will be subject to disclosure if requested by a member of the public. There are a very limited number of narrow exceptions to this disclosure requirement.

17.2 Therefore, any proposal which contains language purporting to render all or significant portions of their proposal “Confidential”, “Trade Secret” or “Proprietary”, or fails to provide the exemption information required as described below will be considered a public record in its entirety subject to the procedures in Section 17.5.

17.3 Do not mark your entire proposal as “confidential”.

17.4 The CITY will not disclose any part of any proposal before it announces a recommendation for award, on the ground that there is a substantial public interest in not disclosing proposals during the evaluation process. After the announcement of a recommended award, all proposals received in response to this RFP will be subject to public disclosure. If you believe that there are portion(s) of your proposal which are exempt from disclosure under the Public Records Act, you must mark it as such and state the specific provision in the Public Records Act which provides the exemption as well as the factual basis for claiming the exemption. For example, if you submit trade secret information, you must plainly mark the information as “Trade Secret” and refer to the appropriate section of the Public records Act which provides the exemption as well as the factual basis for claiming the exemption.

17.5 Although the California Public Records Act recognizes that certain confidential trade secret information may be protected from disclosure, the City of San José may not be in a position to establish that the information that a Proposer submits is a trade secret. If a request is made for information marked “Confidential”, “Trade Secret” or “Proprietary”, the CITY will provide Proposers who submitted the information with reasonable notice to seek protection from disclosure by a court of competent jurisdiction.

18 PROTESTS

18.1 If an unsuccessful Proposer wants to dispute the award recommendation, the Protest must be submitted in writing to the Mark Danaj, Human Resources Director no later than ten (10) calendar days after announcement of the successful Proposer, detailing the grounds, factual basis and providing all supporting information. Protests will not be considered for disputes of proposal requirements and specifications, which must be addressed in accordance with the above Section. Failure to submit a timely written Protest to the contact listed below will bar consideration of the Protest.
18.2 The address for submitting protests is:
City of San José – Human Resources  
Attention: Mr. Mark Danaj, Human Resources Director  
200 East Santa Clara Street, 2nd Floor Wing  
San Jose, CA 95113