



May 13, 2020

To: Finance and Administration Committee

From: Darrell E. Johnson, Chief Executive Officer

Subject: Sole Source Agreement for Health Insurance Brokerage Services

Overview

In order to continue participation in the California State Association of Counties Excess Insurance Authority's purchasing insurance pool for employee health and welfare insurance benefits, pool members are required to have Alliant Insurance Services, Inc. as their primary broker of record. A proposal was solicited and received from Alliant Insurance Services, Inc. as a sole source procurement for health insurance brokerage services. Board of Directors' approval is required for the firm to provide the services.

Recommendation

Authorize the Chief Executive Officer to negotiate and execute sole source Agreement No. C-0-2078 between the Orange County Transportation Authority and Alliant Insurance Services, Inc., in the amount of \$342,000, for a three-year initial term, effective June 1, 2020 through May 31, 2023, with one, two-year option term, to provide health insurance brokerage services.

Discussion

The Orange County Transportation Authority (OCTA) uses a broker of record to assist the Benefits Section of the Human Resources Department to implement and maintain OCTA's benefit programs for its employees. These services are required to maximize benefits for OCTA employees and contain costs for both OCTA and its employees.

The broker of record provides the following services in addition to marketing and placing coverage: assists OCTA in developing comprehensive, cost-effective health and welfare programs, supports and assists OCTA in resolving any health insurance carrier problems, informs of new legislation that may affect OCTA, performs research and analysis as requested, develops benefit communication pieces, and assists with open enrollment as requested.

OCTA entered into a Joint Powers Agreement with the California State Association of Counties Excess Insurance Authority (CSAC EIA) in 2016 to participate in a purchasing insurance pool with other California counties and public entities for employee health and welfare insurance benefits.

Alliant Insurance Services, Inc. (Alliant) is the exclusive broker of record for all CSAC EIA Public Agency risk-sharing programs. Alliant has exclusive rights to consult, underwrite, distribute, and service all CSAC EIA programs and its members. The delivery of CSAC EIA programs is contractually provided based on the knowledge and expertise of the Alliant program and service teams.

CSAC EIA requires that OCTA and other pool members utilize Alliant as the primary broker of record. This is a normal rule of engagement for entry into risk-sharing pools/programs. The selection of a broker outside of Alliant is considered OCTA's intent to withdraw from CSAC EIA employee benefits programs.

On April 1, 2016, the OCTA Board of Directors (Board) selected Burnham Benefits Insurance Services (Burnham) as the broker of record to assist the Human Resources Department to implement and maintain OCTA's benefit programs for its administrative and Transportation International Communications Union employees. Alliant granted an exception for the health insurance contract with Burnham, as OCTA had just joined the health program on January 1, 2016. OCTA was unaware of this exception when it entered into a contract with Burnham and only recently learned of this when OCTA expressed to CSAC EIA that it would be competitively procuring a new contract for health insurance brokerage services. The contract with Burnham will be replaced by the sole source agreement with Alliant.

It is in OCTA's best interest to remain a member of the CSAC EIA insurance pool and therefore, contract with Alliant as its primary broker of record.

Procurement Approach

This procurement was handled in accordance with OCTA's Board-approved policies and procedures for a sole source procurement.

Alliant is the exclusive broker of record for all CSAC EIA Public Agency risk-sharing programs and the sole entity to consult, underwrite, distribute, and service all CSAC EIA programs and its members. Therefore, Alliant is the sole source firm that can provide broker and consulting services for the Human Resources Department to implement and maintain employee benefit programs. Alliant has represented CSAC EIA since 1979 and the firm's core clientele are

public agencies, including several located in Southern California. Based on its technical ability and financial status, Alliant is deemed responsible.

Alliant's proposal was reviewed by staff from the Contracts Administration and Materials Management (Camm) and Human Resources Department to ensure compliance with the contract terms and conditions, as well as the technical requirements.

In accordance with OCTA's sole source procurement procedures, a sole source over \$50,000 requires OCTA's Internal Audit Department (Internal Audit) to conduct a price review of Alliant's proposed pricing. The OCTA project manager's independent cost estimate is approximately 23 percent higher than Alliant's quoted pricing. In addition, Alliant's quoted pricing is lower than what OCTA currently pays Burnham. Therefore, the quoted price is deemed fair and reasonable.

Based on the above, the award is recommended to Alliant.

Fiscal Impact

The project is included in OCTA's Fiscal Year 2019-2020 Budget, Benefits Section of Human Resources, Account No. 1340-7519-A2307-FBE, and is funded through the Local Transportation Fund.

Summary

Based on the information provided, staff recommends the Board authorize the Chief Executive Officer to negotiate and execute sole source Agreement No. C-0-2078 between the Orange County Transportation Authority and Alliant Insurance Services, Inc., in the amount of \$342,000, to provide health insurance brokerage services.

Attachment

None.

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