

**POTOMAC AND RAPPAHANNOCK
TRANSPORTATION COMMISSION**

RESOLUTION

MOTION: _____

**RESOLUTION NO. 10-01-____
OFFICIAL COMMISSION MEETING
JANUARY 7, 2010**

SECOND: _____

**RE: AUTHORIZATION FOR THE EXECUTIVE DIRECTOR TO ISSUE A
REQUEST FOR PROPOSALS (RFP) FOR GROUP HEALTH AND DENTAL
INSURANCE COVERAGE EFFECTIVE JULY 1, 2010**

WHEREAS, the current health insurance carriers for the Potomac and Rappahannock Transportation Commission (PRTC) and the Virginia Railway Express (VRE) employees are Aetna and Kaiser Permanente; and

WHEREAS, the current dental insurance carrier for PRTC and VRE employees is Delta Dental Plan of Virginia; and

WHEREAS, PRTC management has recommended issuing a competitive procurement for health and dental coverage stipulating our desire and willingness to contract with a sole provider for health insurance in order to be considered a mid-sized group with less restrictive underwriting terms; and

WHEREAS, PRTC management has also recommended pursuing renewal options from the current carriers and obtaining a quote from the Local Choice Benefits Program; and

WHEREAS, PRTC management has recommended that a competitive procurement be undertaken in time for an award effective July, 1, 2010 in order to consider all available opportunities.

NOW, THEREFORE, BE IT RESOLVED that the Potomac and Rappahannock Transportation Commission does hereby authorize the Executive Director to issue a request for proposals (RFP) for group health and dental insurance coverage effective July 1, 2010.

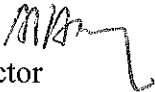


Potomac and Rappahannock
Transportation Commission

14700 Potomac Mills Road
Woodbridge, VA 22192

January 7, 2010

TO: Chairman May and Commissioners

FROM: Alfred H. Harf 
Executive Director

RE: Authorization for the Executive Director to Issue a Request for Proposals (RFP)
for Group Health and Dental Insurance Coverage Effective July 1, 2010

Recommendation:

Authorize the Executive Director to issue a request for proposals (RFP) for group health and dental insurance coverage effective July 1, 2010.

Background:

Medical insurance for PRTC/VRE employees has been provided by Aetna and Kaiser Permanente and supplemental dental insurance by Delta Dental of Virginia for a number of years. Currently PRTC offers a dual carrier choice through Aetna and Kaiser accommodating all employees in Virginia, Maryland, and the D.C. area. Both HMO and POS options are available under Aetna, and an HMO plan is available under Kaiser.

The last competitive procurement for group health and dental insurance occurred in the spring of 2007. PRTC selected Aetna and Kaiser Permanente for health insurance and Delta Dental Plan of Virginia for supplemental dental insurance. The terms of the contracts were one year from the effective date of July 1, 2007 with the option to renew the contracts up to four (4) additional one year terms, contingent upon rate adjustments, availability of funds, and satisfactory performance of contract terms. Thus there are two option years remaining – for FY 2011 and FY 2012 – but management has concluded that it is in PRTC's interest to explore multiple possibilities before deciding whether exercising the next of the option years is advisable.

Health care coverage comprises over one-third of PRTC's fringe benefits. The organization's size gives little leverage to negotiate plan offerings. The current "dual carrier" approach has the virtue of providing employees with more than one choice of providers/carriers, which is not customary for a group PRTC's size. However, the "dual carrier" approach shrinks the number of insured by each carrier such that each considers PRTC/VRE as a "small group", thus subjecting us to less attractive underwriting terms.

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Chairman May and Commissioners

January 7, 2010

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Mindful of all this, PRTC management is recommending to the Commission that a competitive procurement be undertaken so the offerings received can be considered as alternatives to simply exercising the next of the option years present in the Aetna / Kaiser plans. This proposed procurement would be issued with the stipulation that PRTC is willing to contract with a single provider for health insurance, which management understands would have the effect of making PRTC a "mid-size group". As a mid-size group, it is reasonable to expect less restrictive underwriting terms and possibly lower premiums. At the same time, management proposes to seek renewal options offered by the existing carriers that would apply to the next option year, and to obtain a quote from the Local Choice Benefits Program, which offers health benefit plans to Virginia local jurisdictions, so the recommendation management ultimately makes is the end result of an evaluation of all these possible courses of action. Evaluation criteria management proposes to use for the "competitive procurement" would include cost, cost-benefit of plan options, and network (ease of access).

Decisions on cost sharing between employer and employee will be deferred until total premium costs from all proposers are in-hand.

By authorizing management to proceed as proposed, costs and benefits of the various health and dental plans can be assembled and evaluated, with a course of action recommended for the Commission's consideration in June.

Fiscal Impact:

The cost of the health and dental insurance premiums borne by PRTC/VRE has been accounted for in the FY 2011 proposed budgets.