

ITEM 9-B

(3 PAGES)

**POTOMAC AND RAPPAHANNOCK
TRANSPORTATION COMMISSION**

RESOLUTION

MOTION: _____

**RESOLUTION NO. 07-03-____
OFFICIAL COMMISSION MEETING
MARCH 1, 2007**

SECOND: _____

**RE: AUTHORIZATION FOR THE EXECUTIVE DIRECTOR TO ISSUE A
REQUEST FOR PROPOSALS (RFP) FOR GROUP HEALTH AND DENTAL
INSURANCE COVERAGE EFFECTIVE JULY 1, 2007**

WHEREAS, the current health insurance carriers for PRTC/VRE employees are Aetna and Kaiser Permanente; and

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

WHEREAS, PRTC management previously recommended to the Commission that a competitive procurement for employee health and dental insurance coverage be undertaken prior to fiscal year 2008, notwithstanding the fact that the existing insurance providers could be retained until the end of FY 2008, because it is in the Commission's interest to consider all available options in light of rapidly rising health insurance premiums; and

WHEREAS, the Commission expressed its support for this course of action; and

WHEREAS, PRTC management has concluded and the Commission concurs that a competitive procurement of health and dental insurance coverage by competitive low bidding is neither practicable nor fiscally advantageous to the public, and that such a procurement is best accomplished by competitive negotiation using a request for proposals (RFP).

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, 2007.

March 1, 2007

TO: Chairman Gibbons 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, 2007

Recommendation:

Authorize the Executive Director to issue a request for proposals (RFP) for group health and dental insurance coverage effective July 1, 2007.

Background:

The last competitive procurement for group health and dental insurance occurred in the spring of 2003. 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, 2003 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. Because of rapidly rising health insurance costs, however, PRTC management previously recommended to the Commission that a competitive procurement be undertaken in time for an award effective July 1, 2007, rather than simply renewing the contracts for the last of the option years, in order to consider all available opportunities¹. The Commission concurred, and that is why this “procurement authorization” approval is being sought at this time.

¹ In May 2006, PRTC received renewal rates from Aetna, Kaiser, and Delta Dental. Continuing coverage with Delta Dental and Kaiser through FY 2007 was a simple matter since their premium increases were in line with what PRTC’s budget envisioned (i.e., Delta’s and Kaiser’s premium increases for all rate tiers were 4% and 12.41%, respectively), but the Aetna HMO and POS renewals were substantially higher -- approximately 55% for all rate tiers. As a result of Aetna’s significant renewal increase, PRTC and VRE management spent a substantial amount of time analyzing cost containment alternatives, including consideration of other Aetna plan choices with differing plan designs to lower premiums and possible changes to the employer/employee shares. In the end, PRTC and VRE management concluded that the lesser cost options offered by Aetna diminished benefits too severely and

Chairman Gibbons and Commissioners

March 1, 2007

Page 2

Procurement of health insurance qualifies as an “other services” (not professional services”) type of purchase as defined in the Virginia Public Procurement Act (“the Act”), and the Act stipulates that such procurements are to be done by competitive low bid unless a determination is made that this is “not practicable or fiscally advantageous to the public”. For an organization of PRTC’s size, health insurance purchases amount to choosing from among available “small employer plans” rather than prescribing exactly what coverages are being sought, and thus plan offerings will surely differ from one another in ways that make a “competitive low bid” approach impracticable. Moreover, factors other than price are critically important considerations in the selection of insurer(s), including but not limited to ease of access to participating health care providers for all employees no matter where they reside in the region. For these reasons, management has concluded that the procurement needs to be undertaken on a “competitive negotiation” basis, employing a request for proposals (RFP).

By authorizing staff 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 2008 budgets.

did not afford the employees ample prior notice or an opportunity to explore their options and prepare for change, and thus recommended that the Aetna health plans be renewed as well with no plan design changes. Management also recommended that the employee share of the Aetna HMO option premium increase be capped at 33%, with PRTC bearing a higher-than-anticipated expense. As part of these recommendations to the Commission, management also called for another competitive procurement, timed such that an award could be made effective July 1, 2007 (i.e., FY 2008), in order to consider all available options. The Commission concurred.