



COUNTY OF SAN MATEO
Inter-Departmental Correspondence
Human Resources Department



Date:	May 4, 2012
Board Meeting Date:	May 22, 2012
Special Notice / Hearing:	None
Vote Required:	Majority

To: Honorable Board of Supervisors

From: Donna Vaillancourt, Human Resources Director
Rey Guillen, Interim Benefits Manager

Subject: Agreement with Benesyst for Benefits Administration System

RECOMMENDATION:

Adopt a Resolution waiving the Request for Proposals process and authorizing:

A) The President of the Board to execute a two-year agreement with Benesyst to provide a Benefits Administration System for the term of June 1, 2012 through May 31, 2014 in an amount not to exceed the aggregate amount of \$961,848; and

B) The Human Resources Director or the Director's designee to execute contract amendments which modify the County's maximum fiscal obligation by no more than \$25,000 (in aggregate), and/or modify the contract term and/or services so long as the modified term or services is/are within the current or revised fiscal provisions.

BACKGROUND:

On May 25, 2010, your Board approved an Agreement with Benesyst, pursuant to a Request for Proposal Process, to provide an online Benefits Administration System that streamlines administrative processes for the term of June 1, 2010 through May 31, 2012. The system is designed to effectively manage health plan eligibility resulting in increased financial controls to reduce excess premiums paid to insurance carriers and help ensure compliance with complex IRS guidelines.

DISCUSSION:

The implementation of the online Benefits Administration System allowed the Benefits Office to conduct several cost-saving measures, including: 1.) A one-time mandatory open enrollment resulting in employees making plan changes which resulted in approximately \$360,000 in annual savings, 2.) A dependent eligibility audit that resulted in a 4% reduction in covered dependents equating to savings of approximately \$500,000 annually, and 3.) movement towards a nearly paperless process in the

administration of active employee benefits. In addition, the increased automation created by the system has enabled Human Resources to reduce its staffing by 1 FTE, generating additional cost savings.

Transition to any new Benefits Administration vendor would result in significant one-time implementation and programming costs to make necessary changes to the County's payroll system ("PIPs") to configure it to receive biweekly payroll change files in the new benefits administration system's format. Continuing with the County's current contractor, Benesyst, is the only option to avoid these significant one-time costs. In addition, the County is currently exploring the possibility of replacing PIPs with a more modern payroll system. If a new payroll system is implemented, the biweekly payroll change file configuration would need to be completed again with the new payroll system. Therefore, we believe that it is in the County's best interest to waive the competitive process at this time and conduct a Request for Proposal Process for the Benefits Administration System once a decision on a new payroll system is made.

The Contractor has assured compliance with the County's Contractor Employee Jury Service Ordinance, as well as all other contract provisions that are required by County ordinance and administrative memoranda, including but not limited to insurance, hold harmless, non-discrimination and equal benefits. County Counsel has reviewed and approved the Resolution and Agreement as to form.

This Resolution supports the Shared Vision 2025 Prosperous Community by providing a Benefits Administration System that will increase administrative efficiency and help to manage the County's benefits costs.

PERFORMANCE MEASURE(S):

Measure	FY 2011-12 Actual	FY 2012-13 Projected
System Uptime	100%	>99%
System Processing Accuracy	98.5%	>99%
Accuracy of Reporting	93.9%	>99%

FISCAL IMPACT:

The two-year agreement total is \$961,848. There is no impact to the net County cost associated with this agreement as costs are fully covered by the Benefits Trust Fund. The cost is \$5.23 per active employee and retiree per month and is guaranteed for the 24-month contract period. Costs are partially offset by contributions from the County's two health insurance carriers, Kaiser Permanente and Blue Shield of California. For both the 2011 and 2012 calendar years, the contribution from both carriers has totaled approximately \$150,000 annually. We anticipate these contributions to continue for the term of this agreement. Remaining costs are offset by the savings generated from the one-time mandatory enrollment, dependent eligibility audit, increased financial controls and reduced internal automation costs.