

## RESOLUTION 14-05

### A RESOLUTION APPROVING ATTAINMENT OF THE SERVICES OF DRURY GROUP AS THE CITY'S EMPLOYEE HEALTH INSURANCE BROKER OF RECORD

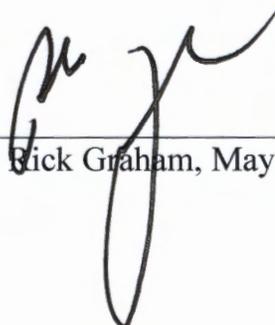
**WHEREAS**, the City of Spring Hill, Board of Mayor and Aldermen wishes to establish an agent to handle the health insurance functions for Spring Hill City employees; and

**WHEREAS**, qualified companies were invited to give proposals during Special Call Meetings of the Budget Finance Advisory Committee; and

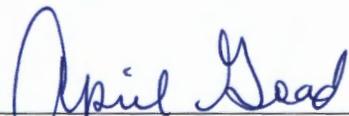
**WHEREAS**, upon hearing proposals from qualified brokers having experience with similar municipal groups, with consideration of pertinent aspects health insurance, and expressed need for periodic communication from Broker with the Governing Board, the Budget Finance Advisory Committee recommends Drury Group ; and

**NOW, THEREFORE BE IT RESOLVED**, that the City of Spring Hill, Board of Mayor and Aldermen hereby enlists the assistance of Drury Group as the City's Employee Health Insurance broker of record.

Passed and adopted on the 21<sup>st</sup> day of January, 2014.

  
\_\_\_\_\_  
Rick Graham, Mayor

ATTEST:

  
\_\_\_\_\_  
April Goad, City Recorder

LEGAL FORM APPROVED:

  
\_\_\_\_\_  
Patrick Carter, City Attorney



# City of Spring Hill



City of

**SPRING HILL**

T E N N E S S E E

est. 1809





# Our Expertise: *Insuring People*

- Health Plans
- Health & Wellness, Dental, Life, AD&D
  - Dental
  - Life/AD&D
- Long-term and Short-term Disability
  - Voluntary Benefits
  - Not Property & Casualty





# Our Expertise: *Representing the Public Sector*

## Over 75 Governments and Public Agencies in TN, OH, KY

- City of Franklin
- City of Bartlett
- City of Brentwood
- City of Bristol
- City of Springfield
- City of Johnson City
- Hamblen County
- City of Kingsport
- City of Columbia
- City of Mt. Juliet
- City of Maryville
- National Lodge of the Fraternal Order of Police





## Our Expertise: *Representing the Public Sector*

- Surveys of Employee Benefits
- Tennessee Personnel Management Ass'n (TPMA) Benefits Survey
- Collaborate with TCMA, TGFOA, TNPRIMA, SHRM, TAMCAR, and UT-MTAS
- Kentucky Government Benefits Survey
- Greater Cincinnati Health Benefits Survey





# Our Expertise: *SHERRILL MORGAN* *Assets*

“Sherrill Morgan utilizes a team approach, ensuring that clients get attention from experts in every area.”

- Mark Morgan, *President*
- Mike Williams, *Sr. Vice President*
- Lisa Stamm, *Esq.*
- Shannon Mason, *RHU, REBC, MBA*
- Valerie Morgan- Saunders, *AFPA, AFAA*
- Michelle Middendorf, *CPA*
- Joe Jones, *CSD*





# Our Expertise: *Other Assets*

- Robin Curry, *Government Agency Advisor*
- Adam Cahill, *Retirement and Medicare Specialist*
  - Sarah Davies, *MBA*
  - Allan Zaenger, *R.PH., MS*
- Randy Gomez, *FSA, EA, MAAA*
- Mark Manquen, *CPA, MST*





# Our Expertise: *Cost Control*

## **Long-Term Planning**

- Typically 3 to 5 years
- First ascertain budgetary and benefit design goals





# Our Expertise: *Cost Control*

## Consumer-Driven Health Plans

- Health Savings Accounts (HSAs)
- Health Reimbursement Arrangements (HRAs)
  - Employer \$ only; actual funding not required
  - Unused balances carry over from year to year and into retirement (some GASB liability)





# Our Expertise: *Cost Control*

## Fully- Insured

- Represent over 125 fully insured clients
- 50 fully insured public employers
- Innovative solutions for cost control, i.e. HRA, HSA
- Focus on helping our clients navigate health care reform





# Our Expertise: *Cost Control*

## **Self-Funding**

- Represent 25 self-funded employers
- 20 self-funded public employers
- 4 health collaborative government organizations
- Customization of plan design; for example, coverage of Over-the-Counter drugs
- Understanding of where hidden margin lies, eg. Pharmacy administration

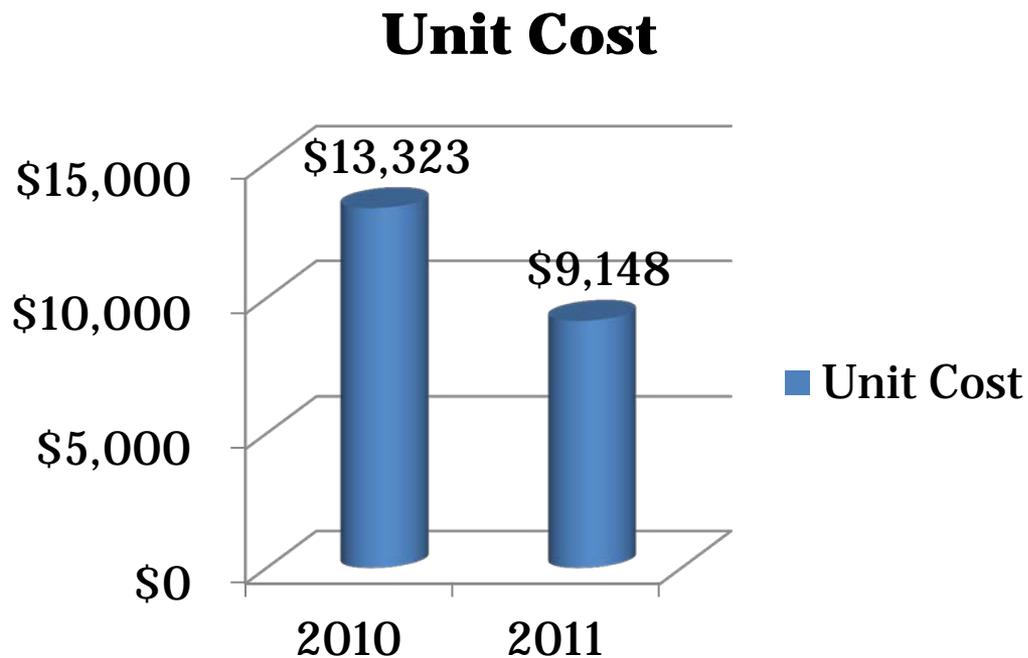




# Our Expertise: *Cost Control*

**Example: City S (Fully Insured)**

“Instituted an HRA which brought the annual premium down **31.34%** and the unit cost down by **26.5%**”





# Our Expertise: *Exceptional Customer Service*

## **Servicing the Employer with:**

- Billing and Enrollment
- Questions concerning healthcare reform
- Questions with plan benefits

## **Servicing the Employee with:**

- Questions regarding:
  - Plan Benefits
  - Provider bills
  - Claims issues
  - Prescription issues
- Assist Employees with
  - Appeals to Ins. Company
  - Price negotiations





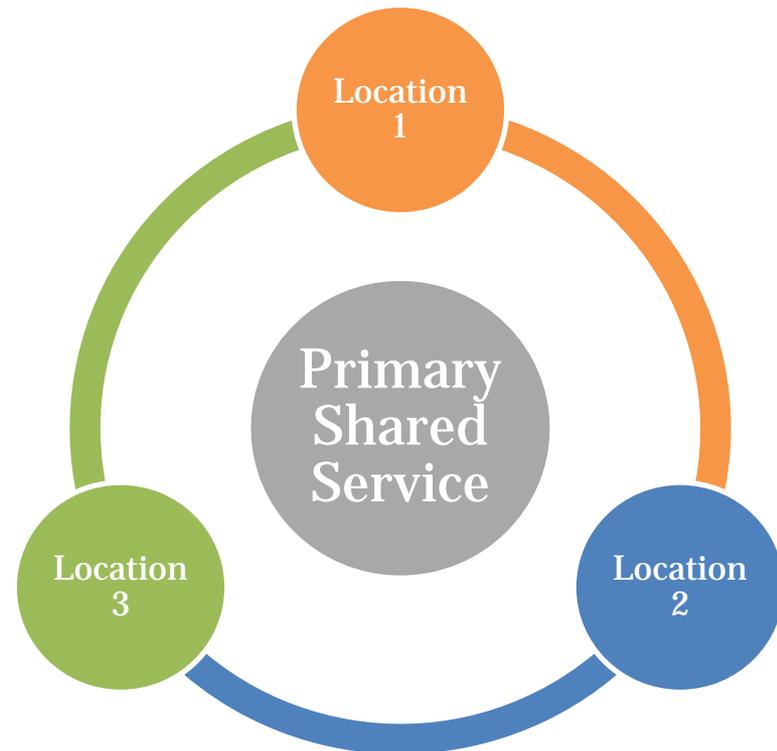
# Our Expertise: *Navigating Health Care Reform*

- Our on-staff attorney, Lisa Stamm, ensures our clients' regulatory compliance
- Routinely hosts seminars with updates
- Monthly newsletter
- Client portal on website

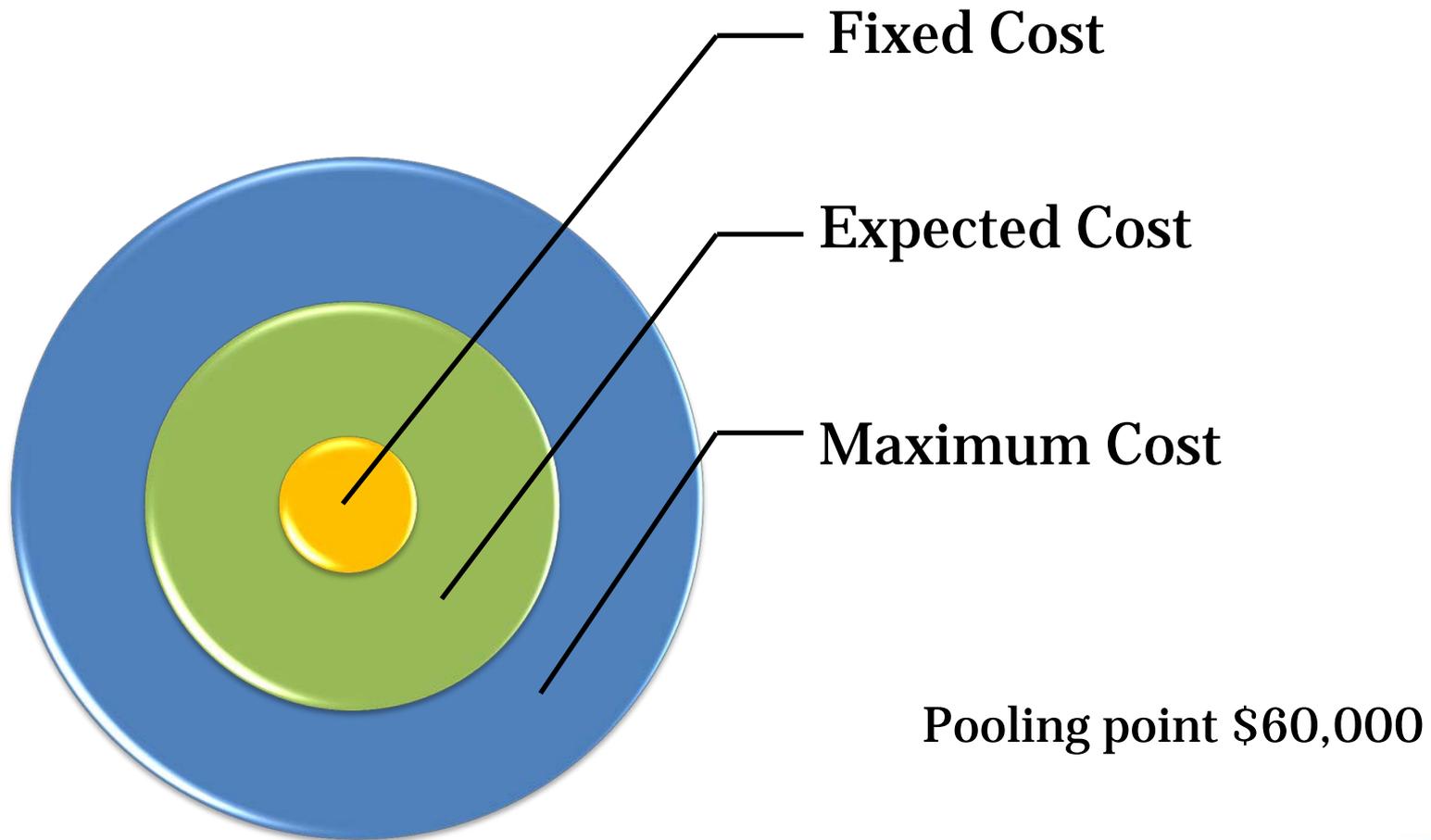


# Our Expertise: *Government Collaboration*

- Group purchasing can help to control costs
- Collaboration with both private and public industry firms
- Shared services- helped reduce costs

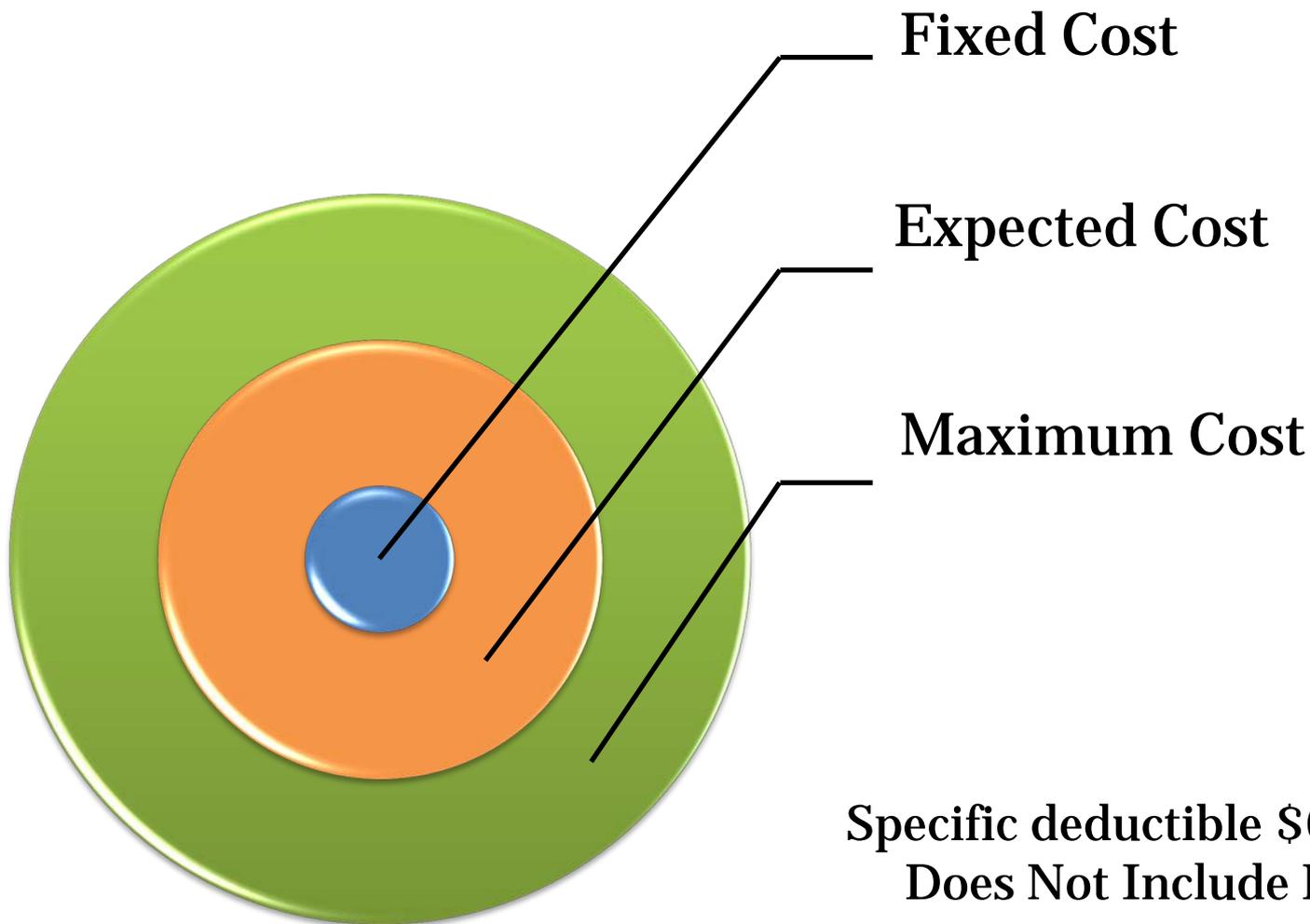


# Fully Insured



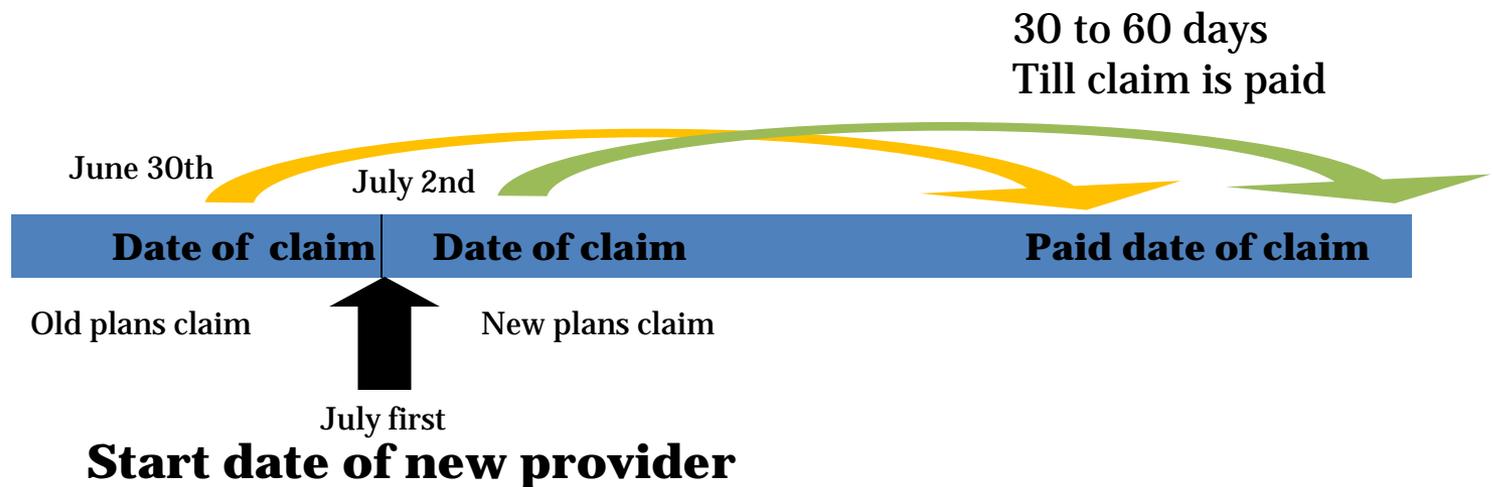


# Self Funding



# Claim Lag Example

The new provider or plan *may* give a reduction in premium for the first year of the plan because of the claim lag. This *could* mean an increase equal to one to two months of premium at renewal .



The new provider is also not aware of the claim experience of the group to the extent of the old provider and will adjust for that at renewal.





# Questions?

[markm@sherrillmorgan.com](mailto:markm@sherrillmorgan.com)

[shannon@sherrillmorgan.com](mailto:shannon@sherrillmorgan.com)



# SHERRILL MORGAN

December 4, 2013

Ms. Shelley Taylor, Director of Human Resources  
City of Spring Hill  
199 Town Center Parkway  
P.O. Box 789  
Spring Hill, TN 37174

Dear Ms. Taylor:

Thank you very much for the opportunity to respond to your Request for Qualifications for Insurance Brokerage/Consulting Services. We have enclosed our response, along with supporting documents.

We specialize in representing governmental health plans, representing over seventy-five governments throughout Tennessee, Kentucky, and Ohio. Because of our familiarity with Tennessee governments, our office, in conjunction with the Tennessee Personnel Management Association (TPMA), conducts an annual survey of Tennessee government employee benefits. Conducting this survey gives us unique knowledge of Tennessee governmental benefit plans, and helps us to guide our governmental clients in designing their own benefits programs. A copy of this survey is included with this proposal.

Our proposal illustrates the types of services we provide. The foundation of these services would be development of a long-range plan for employee benefits based on City of Spring Hill's financial goals. Access to our on-staff attorney and CPA, as well as independent pharmacy and hospital network consultants are included in our services.

Because of our expertise with Tennessee governments, we believe that we are uniquely qualified to represent the City of Spring Hill. We look forward to the opportunity to further demonstrate how we might be able to serve you.

Sincerely,



Lisa A. Stamm, Esq., Vice President Consulting Services  
Sherrill D. Morgan & Associates, Inc.  
DBA SHERRILL MORGAN

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## City of Spring Hill, Tennessee

### REQUEST FOR QUALIFICATIONS INSURANCE BROKERAGE/ CONSULTING SERVICES

#### 3. SPECIFICATIONS

- 1. A description of the brokerage firm, including a brief history, size, number/location of offices and other pertinent information. Describe your organizational structure, including an overall history description of your firm.**

SHERRILL MORGAN was founded in 1969 by Sherrill Morgan as Sherrill D. Morgan & Associates, Inc. and originally specialized in estate planning. As greater emphasis was placed on employee benefits by the business owners it represented, SHERRILL MORGAN evolved to serve its customers on a consultative basis for employee benefits. For forty-four years, SHERRILL MORGAN has sought to serve its clients' needs by seeking out quality employee benefits programs that fit within its clients' budgets.

SHERRILL MORGAN is unique in its emphasis on helping its clients plan for the future of their benefits programs. At SHERRILL MORGAN, we firmly believe that employers must be proactive in managing their benefits programs, and not merely wait for their annual renewal to be delivered. Rather than utilizing cost-control methods standard to the broker community, such as switching carriers in order to get a "new business rate," we prefer to take measures that will make

programs sound for years to come, and we bring specialists to the table that can accomplish this.

SHERRILL MORGAN has one office which is located at:

525 West Fifth Street, Suite 310  
Covington, Kentucky 41011

SHERRILL MORGAN has 15 employees dedicated to the local office. SHERRILL MORGAN staff is organized into the following specialties: individual health, fully insured group health, self-funded group health, and life/estate planning.

## **2. The name(s) of the person(s) assigned to perform the work for the City of Spring Hill and a brief bio for each one.**

SHERRILL MORGAN maintains a highly professional and well-trained staff that supports the needs of its clients and their employee benefits programs. SHERRILL MORGAN and pertinent personnel are licensed as Health and Life Agents and/or Consultants. SHERRILL MORGAN staff includes a licensed attorney and certified public accountant.

In addition to fulfilling all of their respective continuing education requirements, these staff members regularly participate in conferences and training sessions held by the Kentucky Public Human Resources Association (KPHRA), the Kentucky Municipal Clerks Association (KMCA), the Kentucky Association of County Treasurers and Finance Officers (KACTFO), Tennessee Personnel Management Association (TPMA), the Tennessee Public Risk Management Association (TnPRIMA), the Tennessee City Management Association (TCMA), and the National Association of Insurance and Financial Advisors. Staff attend update meetings held by the Department of Labor, and keep abreast of state legislative activity on a regional basis through the departments of insurance of those states, and of federal legislative activity through the Employee Benefits Institute of America and other resources.

### **Proposed Key Personnel**

#### **Mark Morgan, President, Licensed Consultant**

A primary Consultant for the City

#### **Mike Williams, Senior Vice President, Licensed Consultant**

A primary Consultant for the City

#### **Lisa Stamm, Esq., Vice President, Consulting Services**

Consultation regarding state and federal health plan laws and regulations

**Robin Curry, Government Agency Advisor, Licensed Agent**  
A primary advisor for the City

**Michelle Middendorf, CPA**  
Consultation on the financial aspects of health plans

(Please see next section for more detailed staff qualifications.)

## **Qualifications**

### **Mark Morgan, President, SHERRILL MORGAN**

With over 20 years' experience in the health and life insurance industry, Mark specializes in managing and establishing employee benefit plans. He is a licensed Agent and Consultant experienced in working with private, non-profit and governmental entities throughout the country and has been involved in numerous collective bargaining negotiations. He also works with hospital and provider organizations, and is one of the industry's leading proponents of transparency in health care financing, particularly in the area of pharmacy benefit management. He is regularly invited to speak at human resources conventions on health benefits and health care reform. Mark is an advocate for senior citizens, and has served as President of Senior Services of Northern Kentucky.

### **Michael Williams, Senior Vice President, Licensed Consultant**

Mike joined SHERRILL MORGAN in 1998. A graduate of the University of Cincinnati, he has a diverse background in the health insurance industry as a marketing representative and service specialist. Mike also has experience as a billing representative, enrollment specialist, and a divisional trainer and has held positions with Humana and United Healthcare. He has extensive health insurance knowledge of claims issues, state laws and guidelines, and customer service. Mike is responsible for preparing analysis for client renewals and new business quotes and is a primary consultant for SHERRILL MORGAN concerning any client service issues. Mike is a licensed agent in Ohio, Kentucky, Illinois, Indiana and Tennessee and a licensed consultant in Kentucky. Mike also has served on several insurance company advisory boards and on several state advisory panels, including the Insurance Coverage Affordability and Relief program.

### **Lisa Stamm, Esq., Vice President, Consulting Services**

Lisa is a graduate of Northern Kentucky University and the University of Cincinnati College of Law. She has been with SHERRILL MORGAN since 2005, and manages health and welfare benefit plans, particularly in the self-funded arena. As a licensed attorney, she is able to consult clients regarding applicable state and federal laws regarding health plans. She is also available to answer questions regarding compliance with applicable laws, including federal health care reform, COBRA, ERISA, and HIPAA. Lisa is also an expert and featured

speaker on regulatory issues, particularly as they relate to health care reform. She has been a member of the Kentucky Bar Association since 1992.

**Robin Curry, Government Agency Advisor**

Robin is a licensed Agent and recently came to work with SHERRILL MORGAN to serve on the self-funding side of the health insurance business. Robin has a Bachelor's degree from Thomas More College and has worked in both local government and the private sector. Robin served Boone County Fiscal Court as Assistant County Administrator and Human Resources Director for nearly eighteen years prior to coming to SHERRILL MORGAN. During his time as Human Resources Director with Boone County, Robin was involved in transforming the health insurance from a fully insured plan to a self-funded plan in 1999 and served as administrator of the plan which still is in effect at Boone County. Robin serves Boone County as a commissioner on the Boone Florence Water Commission.

**Michelle Middendorf, CPA**

Michelle manages health and welfare benefits for self-funded employers. As a certified public accountant, she is able to give consultation regarding the financial aspects of health plans, as well as compliance with FASB and GASB standards. Michelle oversees the SHERRILL MORGAN survey team. She is a 1992 graduate of Northern Kentucky University, and has previously practiced public accounting for Ernst & Young and sales tax for Cincinnati Milacron. Michelle also oversees the involvement of SHERRILL MORGAN's contracted actuarial partners and claims auditors. Michelle stays current on FASB and GASB standards specifically as they apply to health and welfare plans.

**3. Indicate how long your company has been providing employee insurance benefit services.**

SHERRILL MORGAN has been providing employee insurance benefit services for 44 years, since 1969.

**4. Provide the number of clients you currently service in the public sector and the number of public sector clients you have served in the last three years and the contact information of at least three of these.**

SHERRILL MORGAN's ability to provide service to the City of Spring Hill is grounded in our vast experience with governmental health plans. (Please see **Examples of Cost Savings Achieved with Public Sector Employers below.**) We understand governments and have years of experience assisting in the development of long-range plans and programs that meet budgetary needs. We understand planning and budget development are key to the success of any employee benefits program. We specialize in understanding government management and working within the political structure.

SHERRILL MORGAN represents over seventy-five public sector clients. This number has remained the same for the last three years. (Please see Exhibit 1 for a partial listing of governmental clients SHERRILL MORGAN represents.)

## **REFERENCES**

### **City of Brentwood, TN**

Contact: Michael Worsham, Director of Human Resources  
Address: 5211 Maryland Way, Brentwood, TN 37024  
Phone Number: (615)371-0060  
Email Address: worshamm@Brentwood-tn.org

### **City of Bristol, TN**

Contact: Belva Hale, Director of Human Resources  
Address: 801 Anderson Street, Bristol, TN 37621  
Phone Number: (423)989-5525  
Email Address: bhale@bristoltn.org

### **City of Columbia, TN**

Contact: Connie Etzkin, Personnel Department Director  
Address: 700 North Garden Street, Columbia, TN 38401  
Phone Number: (931)560-1570  
Email Address: [cetzkin@columbiatn.com](mailto:cetzkin@columbiatn.com)

### **City of Franklin, TN**

Contact: Tammie Pitts, Benefits Manager  
Address: 109 3<sup>rd</sup> Avenue South, Franklin, TN 37064  
Phone Number: (615)791-3223  
Email Address: [tammie.pitts@franklintn.gov](mailto:tammie.pitts@franklintn.gov)

### **City of Johnson City, TN**

Contact: Kevin Bratton, Human Resources Director  
Address: 601 East Main Street, Johnson City, TN 37601  
Phone Number: (423)434-6020  
Email Address: [Kevinb@johnsoncitytn.org](mailto:Kevinb@johnsoncitytn.org)

### **City of Kingsport, TN**

Contact: Terri Evans, Risk Manager  
Address: 225 West Center Street, Kingsport, TN 37660  
Phone Number: (423)224-2449  
Email Address: [TerriEvans@KingsportTN.gov](mailto:TerriEvans@KingsportTN.gov)

### **City of Springfield, TN**

Contact: Gina Holt, Assistant City Manager  
Address: 405 North Main Street, Springfield, TN 37172  
Phone Number: (615)382-2200

Email Address: gholt@springfield-tn.org

*(Additional References available upon request.)*

## **Examples of Cost Savings Achieved with Public Sector Employers**

### **The City of Bristol, Tennessee**

The City of Bristol has approximately 340 employees and has been a SHERRILL MORGAN client since 2005. Through its provider reimbursement/contract analysts, SHERRILL MORGAN was able to negotiate with Highlands Wellmont Health Systems for a single client contract that changed discounting from a percentage of billed charges to a *per diem* or per day charge. This equated to an additional 15% discount if done on a “percentage of billed charges” basis.

SHERRILL MORGAN also obtained an additional 10% discount from the Physician PHO and was able to guarantee outliers and inflationary charges for a period of three years. This amounted to nearly \$1 million dollars in savings over three years.

In 2006, SHERRILL MORGAN conducted a Request for Proposal for stop loss for this group, generating savings of \$50,000 in premiums, and also helped them to develop a dual choice plan that provides network steerage and also a more consumer-driven plan with an HRA.

In 2007, SHERRILL MORGAN conducted a Request for Proposal for all services related to the employee benefits program, and assisted the group in installing a new administrator and ancillary providers. *(Please see Exhibit 2 for RFP for all services.)*

In 2008, The City asked SHERRILL MORGAN to do a comprehensive review of its Medicare-eligible and non-Medicare-eligible retiree benefits. At SHERRILL MORGAN’s recommendation, the City moved its Medicare-eligible retirees to a Medicare Advantage plan restructuring the City’s costs and GASB liabilities without significantly reducing benefits or increasing costs to its retirees.

### **Green Township, Ohio**

Green Township has approximately 110 employees and recently became a client of SHERRILL MORGAN. During the transition from the previous broker, SHERRILL MORGAN was able to reduce Green Township’s costs in many areas. Changing stop-loss level generated an expected cost savings of \$189,000. By obtaining quotes from other third party administrators and stop-loss carriers, SHERRILL MORGAN was able to obtain a savings of \$215,000 on Green Township’s renewal. By changing third party administrators, SHERRILL MORGAN generated a savings of approximately \$20,000 for Green Township. All of these savings were achieved without any changes to the employees’ network

or health plan. Through the efforts of SHERRILL MORGAN, Green Township saved approximately \$500,000 without causing any disruption to its employees.

**The City of Covington, Kentucky**

The City of Covington has approximately 345 employees, and has been a client since 2004. SHERRILL MORGAN helped the group to achieve a savings of approximately \$250,000 in administrative and stop loss expenses, and also assisted in union negotiations. In 2007 and 2012, the City was able to reach agreements with all three of its unions, in part because of changes to the City's benefits programs developed by SHERRILL MORGAN.

**City of Florence, Kentucky**

The City of Florence has been a SHERRILL MORGAN client since 2001. In 2007, the City instituted a Health Reimbursement Arrangement in conjunction with changes to its self-funded health plan. It also instituted a consumer-driven pharmacy benefit in which members receive most generic prescriptions at no cost. In 2009, the City instituted a spousal eligibility policy. By taking these measures, the City reduced its costs by over 40% over a four-year period.

**Kenton County Fiscal Court, Kentucky**

The Kenton County Fiscal Court has approximately 330 employees and has been a client since 2003. Initially, SHERRILL MORGAN coordinated bidding of administrative services, stop loss, network discounts and ancillary services, and was able to impact fixed costs and ancillary services (disability and life) by almost \$300,000. In 2006, as part of its long-term plan, the County instituted a dual choice program that included wellness programs, and tobacco premiums. The County realized total savings of approximately nearly \$1 million in 2007. In January of 2009, the City began offering a Health Reimbursement Arrangement.

**Boone County Fiscal Court, Kentucky**

Boone County Fiscal Court has been a client since 1999. In early 2007, the County instituted consumer-driven health and pharmacy plan designs, including a Health Reimbursement Arrangement. In 2011, the County instituted a spousal eligibility policy and in 2012 it launched a physician directed wellness program with an FSA-based financial incentive. The County's per employee cost is currently lower than it was in 2007.

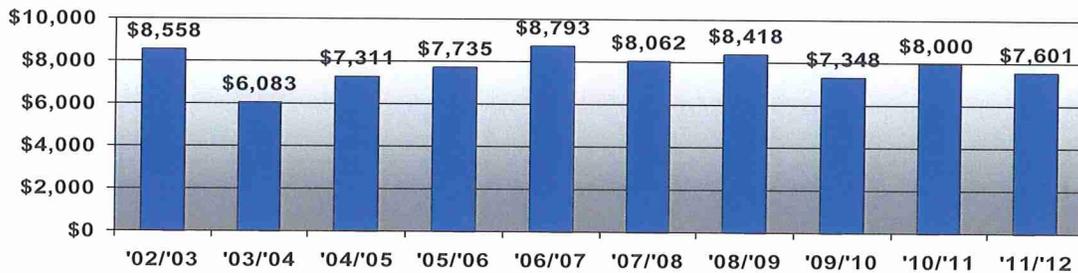
**The City of Bardstown, Kentucky**

Perhaps the greatest impact SHERRILL MORGAN has had on any client was on the City of Bardstown. Bardstown has 120 employees and has been a SHERRILL MORGAN client since 2000. With proper long-term planning and coordination of all aspects of its plan, including wellness, an HRA (see below), and a pass-through pharmacy benefit program, the City experienced an overall 57% reduction in costs over four years, and currently has one of the lowest per employee per year costs in the state.

**The City of Bowling Green, Kentucky**

The City of Bowling Green has approximately 450 employees and has been a SHERRILL MORGAN client since 2007. The City reduced its cost by nearly 20% by instituting a consumer-driven health plan with a Health Reimbursement Arrangement (HRA) and by implementing a new spousal eligibility policy requiring spouses who have coverage available at their place of employment to enroll in that coverage. The policy also offered a one-time waiver benefit for spouses who left the City’s plan to enroll in other coverage. Contract and network changes recommended by SHERRILL MORGAN have also contributed to the City’s savings. For example, in 2009, SHERRILL MORGAN was able to negotiate an approximate 25% savings on stop loss premiums for the City. The following bar graph illustrates the City’s trend in cost per employee unit since 2002. Since SHERRILL MORGAN began representing the City in January of 2007, the City’s per-employee annual cost has actually decreased from \$8,793 to \$7,601, and represents one of the lowest per employee cost in Kentucky.

**City of Bowling Green  
Per Employee Per Year Cost Summary**



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**5. Confirm that you are a licensed broker in TN. Describe the firm’s Errors and Omissions (E&O) limits and provide evidence that all applicable insurance coverage and licenses are currently carried.**

Sherrill D. Morgan & Associates, Inc. (dba SHERRILL MORGAN) is a licensed broker in the State of Tennessee. *(Please See Exhibit 3 for copies of licenses.)*

SHERRILL MORGAN maintains Errors and Omissions coverage of \$1,000,000 per occurrence with a \$3,000,000 annual aggregate. *(Please See Exhibit 3 for a copy of this policy.)*

## **6. List the types of compensation you receive:**

- a. Fee for service**
- b. Commissions**
- c. Bonuses (list types)**
- d. Non-cash incentives (i.e. incentive trips)**
- e. Other**

SHERRILL MORGAN prefers to be compensated on a fixed fee basis for Brokerage/Consulting Services. Employing this compensation philosophy means our compensation does not increase simply because the client's premium increases. An annual disclosure form would be provided, stating this fee and also stating that no other forms of compensation are received for providing Broker/Consultant services on the City of Spring Hill's Health, Dental, Vision, Life and Accidental Death, and Long and Short Term Disability Plans. **(Please see Exhibit 4 for sample Disclosure Statement and Broker/Consulting contract.)** Knowing how much compensation a broker or agent is receiving is particularly helpful for our governmental clients because government agencies do not have to file IRS Form 5500 and therefore do not receive confirmation of the fees and commissions paid to brokers and agents.

An example of commissions paid for health coverage on a case the size of City of Spring Hill is as follows:

BlueCross BlueShield of Tennessee is paying 3% of premium on groups from 151-300 **(Please see BlueCross BlueShield of Tennessee commission schedule in Exhibit 4.)** If the per employee cost for a group is \$8,000 per year then you calculate  $\$8,000 \times 190 = \$1,520,000$  annual premium, therefore 3% of  $\$1,520,000 = \$45,600$ . A true calculation of this commission can be found by using the actual premiums provided on the monthly invoice. This does not include any retention bonus, non-cash incentives or other payments they may earn. This is an example of the commissions earned when paid on an agent basis. BlueCross BlueShield of Tennessee also pays commissions for Flexible Spending Accounts, Dental Insurance, Vision Insurance, Life AD&D and Voluntary Life, STD & LTD Coverages.

An example of savings achieved by SHERRILL MORGAN (while operating under a fixed fee basis) for a fully-insured Tennessee government client with approximately 250 employees having BlueCross BlueShield of Tennessee coverage is as follows: The client received a renewal notice with an 8% increase prior to engaging our services. Once SHERRILL MORGAN became the broker/consultant we were able to work with the carrier and negotiate a flat renewal while maintaining the same plan design and slightly improving the benefits. This amounted to a savings of approximately \$180,000 for the client. This was accomplished by SHERRILL MORGAN going to the market place and seeking competitive quotes for the client. While we may not always save this large of an amount we will always work for the City of Spring Hill to get the most

competitive rates available by going to the market. Our fixed fee with the client in this example is very close to the same as being offered to the City of Spring Hill.

SHERRILL MORGAN's proposed fixed consulting fee for providing consulting services for the City of Spring Hill's Health, Dental, Vision, Life and Accidental Death, and Long and Short Term Disability Plans is: \$29,900 for Year 1. This fee would increase to \$32,000 for Year 2 and \$34,000 for Year 3.

## **7. Describe the overall administration services that are provided for benefits, billing, claim research and administrative training/consultation.**

### *Overall Administration Services*

SHERRILL MORGAN is committed to a systematic approach toward Customer Satisfaction. We have systems in place that ensure timely, regular planning meetings and communication with the client throughout the year. We also utilize systems that track customer service issues from the date of receipt to final resolution. Reports can be created that are client-specific and that illustrate the number and type of service issues a group is experiencing.

Of course a system is only as good as the people who work within the system. Our staff, in conjunction with our systems, is what sets SHERRILL MORGAN apart. Our staff is dedicated to providing the absolute highest-quality service and administration.

### *Claims Research*

SHERRILL MORGAN does an extensive quarterly review of claims activity for each client, and assists in the development of budget projections each year. Each client's per employee per year cost (unit cost) is tracked so that the client's trend can be determined. (See Exhibit 5 for an example of a unit cost projection.)

With respect to pharmacy claims, SHERRILL MORGAN contracts with Allan Zaenger, R.Ph., MS, of Pharmaceutical Horizons to independently evaluate the pharmacy benefit programs of its clients. Mr. Zaenger's recommendations generally cause a 10% cost reduction to prescription drug programs without any changes in benefits.

In addition, SHERRILL MORGAN staff is accustomed to preparing numerous types of specialized report requested by clients. Response time is tailored to the clients' needs.

### *Administrative Training/Consultation*

SHERRILL MORGAN regularly sponsors educational seminars for its clients, including annual budget seminars for its government clients and periodic updates on regulatory issues, especially the new federal health care reform laws and regulations. SHERRILL MORGAN provides sponsorship and facilitation of meetings regarding new industry concepts, including consumer-driven health plans and wellness programs. (Please see Exhibit 6 for sample invitations to SHERRILL MORGAN seminars.) SHERRILL MORGAN also provides all clients with a monthly newsletter to keep them up-to-date on employee benefit news. (Please see Exhibit 6 for a sample of SHERRILL MORGAN's monthly newsletter.)

### Additional SHERRILL MORGAN Services Provided

SHERRILL MORGAN uses a number of strategies in assisting clients achieve their objectives. These include:

#### *Cost Containment Strategies*

##### Long-Term Planning

Employers are increasingly challenged to find ways to control costs while maintaining a level of employee benefits that enables them to attract and retain a strong workforce. Understanding the client's goals in this regard and helping to define those goals is SHERRILL MORGAN's first priority. SHERRILL MORGAN uses a detailed process called the "long-term plan" in order to identify and achieve the client's goals. Ultimately, the goals are translated into a long-term plan document. (Please see Exhibit 5 for long-term plan documents.)

The following topics are discussed with the client as part of the long-term planning process:

- **Financial Goals:** What are the client's *Financial Goals*? What does the client want plan costs to be over the next three years, and what share do they want employees to pay during that period? The client's historical costs are examined to determine the rate at which plan costs have inflated. (Please see bar graph in Exhibit 5.)
- **Retiree Benefits:** SHERRILL MORGAN can examine the costs of the client's retiree benefits programs, and make recommendations to the client on how to manage these programs and the resulting current and future financial liability associated with them, including GASB and OPEB liability. (Please see sample Client Memoranda in Exhibit 7.)
- **Wellness and Consumer-Driven Goals:** This is the area with the greatest potential for employee involvement and also involves how the plan is conceptually conveyed to employees. Numerous federal and state regulations apply in the area of wellness programs. SHERRILL

MORGAN's on-staff attorney can provide guidance to the client on the regulatory implications of wellness programs.

- **Pharmacy Goals:** SHERRILL MORGAN helps clients to define their goals with respect to their pharmacy programs, and can tailor plan designs to achieve these goals.
- **Plan Design Goals:** Deductibles and copays are evaluated to make sure they coordinate with the client's goals in other areas.
- **Eligibility Policies:** Spousal eligibility policies are a very effective means of controlling future health plan costs. SHERRILL MORGAN assists clients in designing and implementing spousal eligibility policies that fit within the clients' goals, both financial and otherwise.

All of the information above is put on a timeline on which meeting dates and goals, such as the renewal process, are given future action dates.

### **Consumerism and Wellness**

#### **Consumer-Driven Health Plans: Health Reimbursement Arrangements (HRAs)/Health Savings Accounts (HSAs)**

In conjunction with long-term planning, SHERRILL MORGAN has used consumer-driven concepts such as HRAs and Health Savings Accounts (HSAs) in order to help employers contain the costs of their health plans. SHERRILL MORGAN currently manages health plans for more than thirty employers who have instituted HRAs. SHERRILL MORGAN specializes in these programs, and instituted one of the first Section 105 HRA plans in the country at the City of Bardstown. Those employers who have followed SHERRILL MORGAN's recommendations regarding HRAs, including only reimbursing in-network deductible and coinsurance expenses, have typically seen reductions of between 15% and 57%. No employer to date has paid out more in HRA reimbursements than they have saved in premiums or claims.

Coordination of HRA programs with other consumer-driven initiatives, such as wellness programs and over-the-counter drug coverage (**please see Exhibit 8 for sample OTC document**) can help to maximize the potential for cost-control for the plan and for improvement in the overall health of the client's workforce. Some examples of SHERRILL MORGAN government clients who have instituted HRAs are:

- The City of Bristol, Tennessee instituted its HRA on January 1, 2009 and its cost per unit decreased by 16% when compared to the previous year.
- Sanitation District No. 1 adopted an HRA in 2005 and its health insurance budget was reduced by 20%.

- The City of Bardstown, Kentucky is SHERRILL MORGAN's longest-running HRA program; as mentioned above, its costs decreased 57% over four years.
- The City of Florence, Kentucky instituted an HRA on July 1, 2006, offering a dual choice of an HRA plan and a traditional plan. Ninety-eight percent of the employee population chose the HRA plan. Adoption of the HRA has been one of the primary reasons the City's costs decreased more than 40% over a four-year period.

Additional SHERRILL MORGAN government groups which have instituted HRAs include the Boone County (KY) Fiscal Court (2007), the Boone County (KY) Fire Districts (2008), the City of Winchester, KY (2008), the City of Newport, KY (2009), and the Kenton County (KY) Fiscal Court (2009).

### *Vendor Evaluation and Selection Services*

SHERRILL MORGAN uses the long-term planning format, discussed previously, for implementation of new vendors and programs in order to meet the client's goals. Once pertinent vendors have been selected, SHERRILL MORGAN provides customized presentations for each client, including presentations to employees, and will prepare employee materials in the format the employer chooses. The involvement of networks and vendors is crucial to this process, and SHERRILL MORGAN will facilitate their involvement. SHERRILL MORGAN can also facilitate online enrollment with vendors, as well as enable both employer and employee to access online benefit information.

### *Pharmacy Strategies*

Pharmacy claims are a major cost-driver for any health plan. SHERRILL MORGAN uses several strategies to contain the cost of this important benefit. For instance, health plans can cover over-the-counter substances in order to move members from more costly prescribed drugs. This, along with other programs, can greatly impact prescription drug costs. We also recommend transparent and pass-through contracting for the client's pharmacy program to ensure that drugs are purchased at the best possible discount and that all rebates come back to the employer. SHERRILL MORGAN also helps the client to select copay structures that are designed to maximize generic utilization.

SHERRILL MORGAN contracts with Allan Zaenger, R.Ph., MS, of Pharmaceutical Horizons to independently evaluate the pharmacy benefit programs of its clients.

The following services are provided to SHERRILL MORGAN clients via Pharmaceutical Horizons:

- The Over-the-Counter (OTC) Drug program enables both individual members and health plans to save money by covering over-the-counter substances under the prescription drug card. It enables members to substitute less expensive allergy, stomach, and cold sore medications for more expensive prescription substances. A special, reduced copay is established for these over-the-counter substances in order to encourage members to participate. For instance, some employers with \$5 or \$10 generic copays charge \$1 or no copay at all for a thirty-day supply of the OTC substances. SHERRILL MORGAN will help to educate employees regarding the benefits of this program. (Please see Exhibit 8 for a sample of employee educational information on the OTC program.)
- Evaluation of specialty or designer drugs' impact to the plan (Please see Exhibit 9.)
- Proper coverage of smoking cessation products (Please see Exhibit 9.)
- Tailored formularies
- A detailed drug cost and use evaluation comparing the organization's pharmacy data to its own historical data and also to industry data (Please see Exhibit 9 for sample pharmacy evaluation.)

In addition to the services listed above, SHERRILL MORGAN also assists clients in the following ways:

*On-Staff Attorney provides Compliance Review and Federal Health Care Reform Updates*

SHERRILL MORGAN staff, including its on-staff attorney, are available to answer questions regarding compliance and insuring our clients are aware of any legislative changes. She also provides updates and reports concerning the recent federal health care reform laws and all of the attendant regulations.

*Provider Reimbursement and Contract Analysis*

SHERRILL MORGAN also contracts with Randy Gomez, FSA, EA, MAAA for assistance in claim and reimbursement audits for clients.

*Optional Additional Service (not included in standard fee):  
Actuarial Services from various actuarial firms:*

- Actuarial funding valuations and projections for HRA accounts
- GASB 43/45 accounting studies and disclosure reports (government clients)
- Actuarial calculations for IBNR reserves and COBRA/premium rate calculations
- Cost modeling for plan design changes for traditional, HRA, and HSA plans
- Plan contribution modeling and budget projections

- VEBA post-retirement actuarial funding calculations

**8. Indicate your firm’s capabilities and resources concerning communication to include ongoing employee communication, open enrollment and online enrollment services. Be sure to include information regarding on-line services, and any additional costs associated with various offerings.**

*Employee Communications*

SHERRILL MORGAN helps to coordinate the development of employee benefit communications. Communications are either developed in-house, or developed by the appropriate vendors and reviewed by SHERRILL MORGAN staff for accuracy and effectiveness. Communications range from standard materials such as Summary Plan Descriptions, benefit summaries, and “frequently asked questions” to detailed explanations of how employees can benefit by taking advantage of special programs like Over-the-Counter drug programs. Because so many of the programs SHERRILL MORGAN encourages clients to adopt are consumer-driven in nature, effective communication of the concepts to employees is essential. (Please see Exhibit 8 for example of employee communications developed by SHERRILL MORGAN.)

*Open Enrollment*

SHERRILL MORGAN understands that the most brilliantly thought-out and negotiated benefit plan is of little value if it is not communicated well. Employees must understand both how to access their benefits and how to make use of the tools available to them to make wise decisions as health care consumers. This is why we employ multiple strategies to ensure a smooth enrollment process. We conduct multiple employee meetings at various times and locations to accommodate the various employee schedules. We can also prepare online presentations that allow employees to review the presentations at any time. SHERRILL MORGAN does whatever is necessary to make sure the enrollment process goes smoothly.

*Employee Meetings*

SHERRILL MORGAN’s staff is available to conduct employee meetings. Staff will coordinate the presence of all pertinent vendors and will also prepare PowerPoint presentations and handouts as needed in order to communicate benefit programs.

*Surveys*

### Employee Surveys

SHERRILL MORGAN has also conducted surveys of its clients' employee populations in order to determine their preferences with regard to benefits and potential plan design changes. These surveys have provided clients' senior management with a frame of reference for making decisions regarding their benefits programs. SHERRILL MORGAN's staff CPA is available to tabulate and present the data to management. (Please see Exhibit 10 for examples of employee surveys.)

### Employee Benefits Surveys

SHERRILL MORGAN specializes in Kentucky and Tennessee governments, representing over seventy-five governments throughout both states. (Please see Exhibit 1 for partial listing of SHERRILL MORGAN government clients.) Because of our familiarity with governments, we conduct two major annual surveys of government employee benefits. The first is the Kentucky Government Benefits Survey, which is a survey of the employee benefits of over 6,100 Kentucky governmental employees. The second is the Tennessee Personnel Management Association Benefits Survey, which is a survey of over 15,000 Tennessee governmental employees. SHERRILL MORGAN also conducts the Greater Cincinnati Health Benefits Survey, a survey of private industry companies in the Greater Cincinnati area with 100 or fewer employees. (Please see copy of TPMA survey included.)

## **9. Describe the type (i.e. face to face, conference calls, email only, etc) and frequency (daily, monthly, etc) of communication that will be made available for city officials and employees. Again, please describe in detail your on-line capabilities and services.**

SHERRILL MORGAN staff are available Mondays through Fridays from 8:30 a.m. to 5:30 p.m. EST. SHERRILL MORGAN firmly believes in a personal touch and has a live person answering the phone at all times during business hours. This enables a quick phone response time for clients. SHERRILL MORGAN staff members can be contacted via phone or e-mail.

SHERRILL MORGAN's goal is to respond to questions from clients the same day questions are posed. If answers are not immediately available, communication will be made to that affect and follow-up will be made in a reasonable time frame.

SHERRILL MORGAN would work closely with the City initially in ascertaining the City's goals for its benefits programs and in implementing programs. SHERRILL MORGAN staff members are also available at any time to answer questions or to handle issues as they occur.

## **10. Describe the support you provide for the development and enhancement of employee wellness programs, and**

**include any costs associated with such.**

### **Wellness Programs**

After helping the client to establish its wellness goals, SHERRILL MORGAN assists the client in selecting wellness program vendors, such as national firms or local hospitals. SHERRILL MORGAN works with the client to determine what type of incentive program will best fit its workforce. SHERRILL MORGAN also helps the client in designing employee educational formats that will convey the goals of the wellness programs to employees. The cost of the programs range from a per employee per month cost, to a cost per meeting. Measurements of return on investment (ROI) are calculated in the reporting, but an industry standard for monetary ROI is a minimum of two to three years. Many of the programs that SHERRILL MORGAN has implemented have had an immediate ROI, such as being able to detect minor and major health conditions of which employees were previously unaware. Lisa Stamm, Esq., is experienced in developing wellness programs in which the employer can track certain health conditions, such as high blood pressure, and then reward or penalize employees for their actual success in managing their conditions.

### **On-Site (or Near-Site) Clinics**

SHERRILL MORGAN has had the opportunity to analyze and implement on-site and near-site clinics. During our analysis of clinics we focus on how cost-effective the programs are likely to be for our clients. Through this process we have been able to break down the marketing and sales forecasts of clinic providers to both reasonable and realistic levels of savings. We complete this in-depth analysis prior to recommending this concept to our clients. Our work and diligence in this area has provided us with considerable insight when dealing with the ever-growing number of clinic providers and reviewing offers put before our clients. We have found that in some cases clinics can successfully help to control health plan costs and provide needed services. We are currently working with several clients in evaluating the benefits of on-site or near-site clinics and in gauging the possible savings such clinics would provide.



Partial Listing  
**Public & Non-Profit Entities**  
Represented by SHERRILL MORGAN

- City of Bardstown\*
- City of Bellevue
- City of Bowling Green\*
- City of Brentwood TN\*
- City of Bristol, TN\*
- City of Carrollton
- City of Columbia, TN\*
- City of Covington\*
- City of Crestview Hills
- City of Dayton
- City of Falmouth
- City of Florence\*
- City of Fort Mitchell
- City of Fort Wright
- City of Franklin, TN\*
- City of Harrison, OH
- City of Johnson City, TN\*
- City of Kingsport, TN\*
- City of Ludlow
- City of Mt. Juliet, TN\*
- City of Newport\*
- City of Shelbyville\*
- City of Springfield, TN
- City of Villa Hills
- City of Wilder
- City of Winchester\*
- Boone County Fire Departments\*
- Boone County Fiscal Court\*
- Boone County Water
- Bullock Pen Water District
- Carrollton Utilities
- Dayton Housing
- Fire Dept. Bellevue-Dayton
- Frankfort Plant Board\*
- Grant County Fiscal Court
- Green Township, OH\*
- Jessamine County Fiscal Court\*
- Kenton County Fiscal Court\*
- KIPDA
- Northern Kentucky Area Development District
- Northern Kentucky Area Planning Commission
- Northern Kentucky Convention Center
- Ohio Kentucky Indiana Regional Council of Governments
- Redwood School
- Sanitation District #1\*

\* Self Funded Groups

## **Client Sample**

**February 11, 2011**

# **REQUEST FOR PROPOSALS**

## **Health Benefit Program & Associated Services**

### **1. Overview**

The Client health benefit plan has been self-funded for approximately three years. The Client's health plan has been administered by North America Administrators of Nashville, TN. The Client currently purchases administrative services and stop loss insurance. The Client participates in the Private Healthcare Systems Network (PHCS). It utilizes HealthSmart for pharmacy benefit management.

Approximately 75 employees and their families are receiving benefits under the Client's plan.

SHERRILL MORGAN will be coordinating this request for proposal for the Client.

### **2. Purpose and Evaluation Method**

The Client is seeking general third party administrative or administrative services only (ASO) services, pharmacy benefit management services, competitive provider networks and stop loss coverage in order to establish a partially self-funded health and pharmacy plan for its employees and their dependents. The Client feels it is prudent to request proposals at this time in order to ensure that it receives the best price and service for its employees, and is able to control the cost of its medical and pharmacy benefits. The Respondent's ability to demonstrate help with managing health care costs will be considered. The Client is also interested in obtaining exceptional customer service.

The Client will contract directly with organizations capable of performing the requirements of this Request for Proposal. Respondents must be represented directly. Participation by brokers or commissioned agents will not be allowed during the proposal process or during the term of the proposed contract. Respondents may submit a partial proposal. If a partial proposal is being submitted, the services being proposed must be clearly defined and all sections of this Request for Proposal

pertaining to those services must be completed. Respondents submitting a proposal for all of the services described in this Request for Proposal must specifically address all of the requirements in Section 3 of this Request for Proposal and must also complete Sections 5 and 6 of this Request for Proposal. Section 6 should be completed separately for each PBM proposed, if more than one. Section 3.3 should be completed separately for each PPO proposed if more than one.

Some of the services requested will be evaluated on a point system. The points allotted to each service are listed throughout this document. There are **100** total points possible. **Partial points may be awarded** based upon the strengths and abilities of the Respondent to provide some portion of the desired services. Other services, such as customer service and the overall cost for the services offered will be evaluated on a subjective basis.

The Client will accept replies from respondents until **THURSDAY, MARCH 3, 2011 at 3:00 P.M. Central Standard Time.** Proposals received after that time will not be considered. The Client anticipates implementation of the providers and their programs no later than **APRIL 1, 2011.** These contracts are to be effective for a one-year period, although multi-year contracts will be considered.

Contracts are expected to be awarded via Council Vote on **THURSDAY, MARCH 17, 2011.** A sample of all contracts for services and sample reports is hereby requested as completion of this RFP.

A current census, schedule of benefits, and claims experience will be provided upon request. Any questions or requests for clarification should be directed to:

Lisa Stamm, Esq  
SHERRILL MORGAN  
859-291-6600  
lisa@sherrillmorgan.com

### **3. General Requirements (*Evaluated on the point system described above*)**

#### **3.1 Plan Design**

The Client may make plan design changes during the upcoming contract year. **A complete plan document re-write will be completed by the successful respondent.** Also, the TPA/ASO chosen will need to show the ability to administer ERISA-exempt plans and the regulations of the State because of these exemptions.

#### **3.2 Pharmacy Program (Point Value: 15 Points)**

The Client is seeking a pharmacy benefit manager (PBM) to administer its prescription drug program. **All PBM options submitted must be transparent with regard to all fees, rebates, and spread.** Please complete the attached Pharmacy

Benefit Manager Questionnaire for each PBM option submitted. Five points will be given for employee on-line access to the participating pharmacy list, formulary lists, and personal pharmacy information. Five points will also be given for access to a pharmaceutical consultant, preferably a licensed pharmacist, who can analyze the Client's pharmacy program and make recommendations. The Client may also negotiate PBM services outside of the scope of this RFP or directly with pharmacy benefit vendors.

### **3.3 PPO Network (Point Value: 20 Points)**

The Client currently utilizes the Private Healthcare Systems Network (PHCS). The top five facilities currently utilized by the Client are: Hendersonville Medical Center, Centennial Medical Center, Skyline Medical Center, Seton Corp Baptist Hospital, and Vanderbilt Childrens Hospital. TPA/ASO respondents should provide average discounts in the proposed network for these facilities on both an inpatient and outpatient basis, and should also provide average provider discounts for the proposed network for providers in the 37188 zip code. Respondents proposing other network options should also submit a GeoAccess report with the following minimal parameters: 2 primary care physicians within a 15-mile radius; 2 specialists within a 15-mile radius; 2 pediatricians within a 15-mile radius; 2 OB/GYNs within a 20-mile radius, and 1 hospital within a 20-mile radius. A disruption report may be required of finalists.

### **3.4 Stop Loss (Point Value: 15 Points)**

The Client currently has \$50,000 of specific stop loss coverage with Gerber Life Insurance Company (Gerber) through IAT. Respondents must indicate if they are an approved TPA with Gerber/IAT. The Client purchases aggregate coverage. The Client will entertain proposals with higher stop loss deductibles, but a \$50,000 specific deductible option must be quoted. *Paid, 24/12, and 18/12 contracts will be considered.* Currently, medical and prescription drug claims are covered under the specific deductible and the Client is requesting that this remain the same with the new stop loss coverage.

If necessary, further negotiation with successful respondents regarding stop loss will be permitted after the deadline. **Stop loss should be quoted net of commissions.**

The Client wishes to purchase both specific and aggregate stop loss insurance on a 24/12 basis. Please quote the following specific deductible levels: \$50,000; \$60,000; and \$75,000. If possible, please show a no new laser contract with a rate cap. If necessary, further negotiation with successful respondents regarding stop loss will be permitted after the deadline. **Stop loss should be quoted net of commissions.**

### **3.5 Utilization Review/Medical Management (Point Value: 10 Points)**

Please identify if your utilization review is a part of the TPA/ASO service and whether it is an in-house service or provided by an outside vendor, and whether your UR /medical management is URAC-accredited. Also, please describe how individuals are reported to UR/medical management and the procedures involved.

**3.6 Disease Management/Predictive Modeling/Wellness Programs (Point Value: 5 Points)**

TPA/ASO Respondents should provide information on disease management, predictive modeling and wellness programs they offer.

**3.7 COBRA/HIPAA (Point Value: 5 Points)**

The chosen TPA/ASO must be able to provide these services on behalf of the Client. The TPA/ASO must also be compliant with HIPAA Title II regulations and be able to assist the Client in the privacy policy area. Please indicate whether COBRA/HIPAA administration is provided in-house or with an outside vendor.

**3.8 On-line Capabilities (Point Value: 10 Points, 5 allotted to services for management purposes and 5 allotted to employee on-line capabilities)**

The Client would like as much on-line access as possible to the plan information for management purposes as well as, but not limited to, the ability to monitor claims, run reports and make enrollment changes online. Consideration will be given to whether vendors allow employees to check personal information on-line. Any additional cost for this service should be quoted separately.

**3.9 Health Reimbursement Arrangement (HRA) (Point Value: 5 Points, 3 allotted to the ability to administer services, 2 allotted to employee on-line capabilities)**

The Client does not offer a Health Reimbursement Arrangement or Health Savings Account. The Client may consider such options in the future so TPA/ASO Respondents should indicate whether they can administer an HRA and whether members could view their HRA account information on-line. Please also confirm ability to auto adjudicate the HRA claims and describe in detail.

**3.10 References (Point Value: 10 Points, 5 Points for 2 or more government references, 5 Points if 1 reference is a government in Tennessee)**

At least five references in total should be provided, and one of the five must be a former client. Representation of government agencies will receive significant regard.

**3.11 Additional Criteria**

All proposals must be submitted in writing. Criteria that will be used to determine award of the contract will include but will not be limited to the following:

- a. The cost per employee per month for all services. Cost quoted must be guaranteed for at least a one-year period following acceptance.
- b. References provided.
- c. The qualifications and experience of the TPA/ASO, staff, and associated vendors. **Please describe.**
- d. The scope and degree of services provided.
- e. Thoroughness and usefulness of reports provided to the Client on a monthly basis. **Please describe your reporting package and provide examples.**
- f. Demonstrate competence and compliance with HIPAA Privacy regulations. **Please describe.**
- g. On-line services. **Please describe.**
- h. The ability to work with related vendors. **Please describe.**
- i. Demonstrated customer service. **Please describe.**
- j. Claims turnaround time. **Please state your average clean claim turnaround time.**
- k. Size/scope of the PPO network.
- l. Thoroughness of the response to the RFP **(Point Value: 10 Points)**

#### **4. Specifications**

##### **4.1 Approval by Regulatory Authorities**

Respondents shall be approved by the appropriate regulatory authorities in the State of Tennessee to provide the services herein described.

##### **4.2 Compliance with Laws**

Respondent's contracts shall comply with applicable Federal, State, and Local statutes, rules, and regulations.

##### **4.3 Financial Statements**

Respondents shall furnish the latest statements showing the Respondent's financial condition at the Client's request, as well as any subsidiary statements or explanations that the Client may request. Please provide financial ratings for any stop loss carriers included in your proposal.

##### **4.4 Consequence for Unsatisfied Requirements**

Failure to meet specifications as outlined or failure to provide any of the information asked for or addressed in this request in a manner which will permit thorough assessment of a provider's program may be grounds to reject any proposal.

#### **4.5 Rejection**

The Client reserves the right to reject individually or collectively all proposals and to accept proposals in full or in part as deemed to be in the best interest of the Client.

#### **4.6 Assignment**

The successful Respondent shall not assign, transfer, convey, sublet or otherwise dispose of any award or any or all of its rights, title or interest therein, without prior written consent of the Client. Such consent by the Client shall not relieve the assignor of liability in the event of default by the assignee.

#### **4.7 Indemnification**

The successful Respondent shall indemnify, save harmless, and exempt the Client, its officers, agents, servants, and employees from and against any and all such suits, actions, legal proceedings, claims, demands, damages, costs, expenses, attorney fees and any and all other costs or fees incident to any work done as a result of the request for proposal and arising out of a willful or negligent act or omission of the successful Respondent, its officers, agents, servants, and employees.

#### **4.8 Venue**

Venue shall be in the applicable courts, Robertson County, Tennessee and Sumner County, Tennessee.

#### **4.9 Applicable Law**

The laws of the State of Tennessee shall govern any Agreement entered into as a result of this Request for Proposal. No rights, remedies, and warranties available to the Client under any agreement or by operation of law will be waived or modified unless expressly waived or modified by the Client in writing.

#### **4.10 Contract Term and Effective Date**

The contract for the Client will cover a one-year period and will commence on APRIL 1, 2011 and will end on MARCH 31, 2012. The contract may be renewed for like terms on the anniversary date upon written notice by the Client. The contract can be terminated by the Client with at least thirty (30) days' prior written notice of termination. It is anticipated that the contract will be renewed for consecutive years. Multi-year contracts will be considered if offered.

#### **4.11 Contact Information**

Questions regarding any of the terms above should be directed to:  
Ms. Lisa Stamm, Esq.

SHERRILL MORGAN  
525 West 5<sup>th</sup> Street, Suite 310  
Covington, Kentucky 41011  
1-859-291-6600  
E-mail address: [lisa@sherrillmorgan.com](mailto:lisa@sherrillmorgan.com)

#### **4.12 Address and Bid Submission**

**Two** hard-copy proposals should be marked “Client RFP” and submitted to:

Name  
Address  
Address  
E-mail address: [clientemail@clientemail.com](mailto:clientemail@clientemail.com)

In addition, **one** hard-copy proposal should be marked “Client RFP” and submitted to:

Ms. Lisa Stamm, Esq.  
SHERRILL MORGAN  
525 W. Fifth Street, Suite 310  
Covington, Kentucky 41011  
E-mail address: [lisa@sherrillmorgan.com](mailto:lisa@sherrillmorgan.com)

Proposals should arrive at the above addresses no later than **3:00 p.m. Central Standard Time on THURSDAY, MARCH 3, 2011.** Finalists will need to be available for interview during the time period of **MONDAY, MARCH 14, 2011.**

Any proposals received after the deadline of **3:00 P.M. Central Standard Time on THURSDAY, MARCH 3, 2011** will be returned unopened.

**5. Additional Quote Requirements for TPA/ASO & Associated Vendors**

**\*Please attach this form to the front of your proposal\***

**ATTACHMENT TO RFP: ADMINISTRATIVE SERVICES**

**Third Party Administrator or ASO Provider:** \_\_\_\_\_

**Contact Information:** \_\_\_\_\_

- ❖ *This form must be completed according to how administrative fees are applicable to your organization.*
- ❖ *All rates should be provided as a PEPM (per employee per month) charge unless otherwise indicated.*

**Base Administration** \_\_\_\_\_

**COBRA Administration** \_\_\_\_\_

**HIPAA Administration** \_\_\_\_\_

**Utilization Review/Medical Management** \_\_\_\_\_

**Name of UR/Case Management Organization** \_\_\_\_\_

**Predictive Modeling Fee** \_\_\_\_\_

**Disease Management Fee** \_\_\_\_\_

**PPO Administration/Coordination Fee** \_\_\_\_\_

**PPO Access Fee** \_\_\_\_\_

**Rx Administration/Coordination Fee** \_\_\_\_\_

**Medicare Part D Notices & Testing** \_\_\_\_\_

**HRA Administration** \_\_\_\_\_

**Other Fee** \_\_\_\_\_

**TOTAL MONTHLY FEES** \_\_\_\_\_

**Other Annual Fees (if applicable)** \_\_\_\_\_

**Setup (One time fee)** \_\_\_\_\_

**Are on-line administrative services available?** \_\_\_\_\_

**Is a copy of your EOB included?** \_\_\_\_\_

**Rate guarantees (please specify)** \_\_\_\_\_

**6. Pharmacy Benefit Manager Questionnaire**  
**Please complete for each PBM offered as part of this proposal**

SHERRILL MORGAN requests that each Pharmacy Benefit Manager confirm its stance on the following contractual and administrative issues.

*Proposals must be transparent with regard to all fees, rebates, and spread.*

**Please Insert the Name of PBM:** \_\_\_\_\_

**1. Corporate Capabilities**

- a. Identify the staff that would be directly involved with the Client's contract, along with their titles and responsibilities with respect to the group.
- b. Identify three references of clients similar to the Client.

**2. Maximum Allowable Costs**

Describe your MAC program including discounts and maintenance procedures.

**3. Rebate Management**

a. Please provide your proposal for providing a rebate for every paid claim including, as applicable, mail service and specialty pharmacy. Include among other items the following:

- Guaranteed rebate per EVERY paid drug claim
- Sharing of rebate amount in excess of the per claim guarantee

b. The Client requests the access and right to audit all records regarding rebates with drug manufacturers as it pertains to the Client. Please describe your current policy and scope for outside audit procedures.

c. Describe the process for recommending formulary changes in conjunction with rebate contracts in order to obtain the most cost effective net per member per month costs.

**4. Price Proposal**

a. Identify the administrative services fee per employee per month (PEPM). Identify all of the administrative services included in this fee. If there are any other charges that will be assigned to other services please identify these services and the associated fee. Any fees not identified will be assumed to be part of the administrative services included in the PEPM service fee.

- b. Identify proposed retail provider network reimbursement fees (ingredient cost discount and dispensing fee).
- c. Identify proposed mail order network reimbursement fees.
- d. Identify proposed specialty pharmacy services reimbursement fees and/or current product list as applicable.
- e. Identify drug ingredient cost discounts for your block of business for:
- All retail brand claims for the period January 1, 2009-December 31, 2009
  - All mail order brand claims for the period January 1, 2009-December 31, 2009
  - All retail generic claims for the period January 1, 2010-December 31, 2010
  - All mail order generic claims for the period January 1, 2010-December 31, 2010

State of Tennessee  
Department of  
Commerce and Insurance

8433631

License No: 2002493

NPN: 7221199

***SHERRILL D MORGAN & ASSOCIATES INC***

This is to certify that all requirements of the State of Tennessee have been met.

LICENSE TYPE	LICENSE EXPIRATION DATE
BUSINESS ENTITY	03/01/2015

This insurance license shall remain in effect until the expiration date unless suspended, revoked or forfeited. The insurance producer must complete continuing education, renew the license and pay fees.



IN-1313  
Department of  
Commerce and Insurance

State of Tennessee  
Department of  
Commerce and Insurance  
**MARK T. MORGAN**

License No: 957002

8742547

NPN: 1889263

This is to certify that all requirements of the State of Tennessee have been met.

**LICENSE TYPE**

INSURANCE PRODUCER

**LINES OF AUTHORITY**

Life  
Accident & Health

**LICENSE  
EXPIRATION  
DATE**

09/30/2015

This insurance license shall remain in effect until the expiration date unless suspended, revoked or forfeited. The insurance producer must complete continuing education, renew the license and pay fees.



IN-1313  
Department of  
Commerce and Insurance

State of Tennessee  
Department of  
Commerce and Insurance  
**MICHAEL W. WILLIAMS**

8512944

License No: 1015737

NPN: 1738886

This is to certify that all requirements of the State of Tennessee have been met.

**LICENSE TYPE**

INSURANCE PRODUCER

**LINES OF AUTHORITY**

Life  
Accident & Health

**LICENSE  
EXPIRATION  
DATE**

04/30/2015

This insurance license shall remain in effect until the expiration date unless suspended, revoked or forfeited. The insurance producer must complete continuing education, renew the license and pay fees.



IN-1313  
Department of  
Commerce and Insurance

State of Tennessee  
Department of  
Commerce and Insurance  
**ROBIN D. CURRY**

License No: 2039404

7726573  
NPN: 16206560

This is to certify that all requirements of the State of Tennessee have been met.

**LICENSE  
EXPIRATION  
DATE**  
01/31/2014

<b>LICENSE TYPE</b>	<b>LINES OF AUTHORITY</b>
INSURANCE PRODUCER	Life Accident & Health

This insurance license shall remain in effect until the expiration date unless suspended, revoked or forfeited. The insurance producer must complete continuing education, renew the license and pay fees.



IN-1313  
Department of  
Commerce and Insurance



# CERTIFICATE OF LIABILITY INSURANCE

DATE  
(MM/DD/YYYY)  
09/10/2013

THIS CERTIFICATE IS ISSUED AS A MATTER OF INFORMATION ONLY AND CONFERS NO RIGHTS UPON THE CERTIFICATE HOLDER. THIS CERTIFICATE DOES NOT AFFIRMATIVELY OR NEGATIVELY AMEND, EXTEND OR ALTER THE COVERAGE AFFORDED BY THE POLICIES .LOW. THIS CERTIFICATE OF INSURANCE DOES NOT CONSTITUTE A CONTRACT BETWEEN THE ISSUING INSURER(S), AUTHORIZED .PRESENTATIVE OR PRODUCER, AND THE CERTIFICATE HOLDER.

**IMPORTANT:** If the certificate holder is an ADDITIONAL INSURED, the policy(ies) must be endorsed. If SUBROGATION IS WAIVED, subject to the terms and conditions of the policy, certain policies may require an endorsement. A statement on this certificate does not confer rights to the certificate holder in lieu of such endorsement(s).

<b>PRODUCER</b>  Marsh U.S. Consumer a service of Seabury & Smith, Inc. P.O. Box 8146 Des Moines, IA 50306-8146	<b>CONTACT NAME:</b>		
	<b>PHONE</b> (A/C, No, Ext):	<b>FAX</b> (A/C, No):	
<b>E-MAIL ADDRESS:</b>			
<b>INSURED</b>  Sherrill D. Morgan and Associates Inc Sherrill Morgan; Mark Morgan; Mike Williams 525 West 5th Street, Suite 310 Covington, KY 41011	<b>INSURER(S) AFFORDING COVERAGE</b>		<b>NAIC #</b>
	INSURER A: St Paul Guardian Ins Co		24775
	INSURER B:		
	INSURER C:		
	INSURER D:		
	INSURER E:		
INSURER F:			

### COVERAGES

### CERTIFICATE NUMBER:

### REVISION NUMBER:

THIS IS TO CERTIFY THAT THE POLICIES OF INSURANCE LISTED BELOW HAVE BEEN ISSUED TO THE INSURED NAMED ABOVE FOR THE POLICY PERIOD INDICATED. NOTWITHSTANDING ANY REQUIREMENT, TERM OR CONDITION OF ANY CONTRACT OR OTHER DOCUMENT WITH RESPECT TO WHICH THIS CERTIFICATE MAY BE ISSUED OR MAY PERTAIN, THE INSURANCE AFFORDED BY THE POLICIES DESCRIBED HEREIN IS SUBJECT TO ALL THE TERMS, EXCLUSIONS AND CONDITIONS OF SUCH POLICIES. LIMITS SHOWN MAY HAVE BEEN REDUCED BY PAID CLAIMS.

INSR LTR	TYPE OF INSURANCE	ADD'L INSRD	SUBR WVD	POLICY NUMBER	POLICY EFF (MM/DD/YYYY)	POLICY EXP (MM/DD/YYYY)	LIMITS
	<b>GENERAL LIABILITY</b>  <input type="checkbox"/> COMMERCIAL GENERAL LIABILITY  <input type="checkbox"/> CLAIMS-MADE <input type="checkbox"/> OCCUR  <input type="checkbox"/>  GEN'L AGGREGATE LIMIT APPLIES PER: <input type="checkbox"/> POLICY <input type="checkbox"/> PRO-JECT <input type="checkbox"/> LOC						EACH OCCURRENCE \$ DAMAGE TO RENTED PREMISES (Ea occurrence) \$ MED EXP (Any one person) \$ PERSONAL & ADV INJURY \$ GENERAL AGGREGATE \$ PRODUCTS - COMP/OP AGG \$ \$
	<b>AUTOMOBILE LIABILITY</b>  <input type="checkbox"/> ANY AUTO  <input type="checkbox"/> ALL OWNED AUTOS <input type="checkbox"/> SCHEDULED AUTOS  <input type="checkbox"/> HIRED AUTOS <input type="checkbox"/> NON-OWNED AUTOS						COMBINED SINGLE LIMIT (Ea accident) \$ BODILY INJURY (Per person) \$ BODILY INJURY (Per accident) \$ PROPERTY DAMAGER (Per accident) \$ \$
	<input type="checkbox"/> UMBRELLA LIAB <input type="checkbox"/> OCCUR <input type="checkbox"/> EXCESS LIAB <input type="checkbox"/> CLAIMS-MADE <input type="checkbox"/> DED <input type="checkbox"/> RETENTION \$						EACH OCCURRENCE \$ AGGREGATE \$ \$
	<b>WORKERS COMPENSATION AND EMPLOYERS' LIABILITY</b> ANY PROPRIETOR/PARTNER/EXECUTIVE Y/N <input type="checkbox"/> If yes, describe under DESCRIPTION OF OPERATIONS below (Mandatory in NH) <input type="checkbox"/> OFFICER/MEMBER EXCLUDED?						WC STATU-TORY LIMITS OTH-ER E.L EACH ACCIDENT \$ E.L DISEASE - EA EMPLOYEE \$ E.L DISEASE - POLICY LIMIT \$
A	<b>OTHER - INSURANCE AGENTS PROFESSIONAL LIABILITY INSURANCE</b> RETRO DATE: 08/14/2009			ZPL11R2236813N1	08/14/2013	08/14/2014	DEDUCTIBLE:: PER CLAIM \$10,000 LIMITS: PER CLAIM \$1,000,000 AGGREGATE \$3,000,000

DESCRIPTION OF OPERATIONS / LOCATIONS / VEHICLES (Attach ACORD 101, Additional Remarks Schedule, if more space is required)

**Covered Agents: Sherrill Morgan, Mark Morgan, Michael Williams, Adam Cahill, Shannon Mason, Robin Curry, Andrea Grever, Valerie Morgan Saunders and Joseph Adams-Jones**

### CERTIFICATE HOLDER

Sherrill D. Morgan and Associates Inc  
Sherrill Morgan; Mark Morgan; Mike Williams  
525 West 5th Street, Suite 310  
Covington, KY 41011

### CANCELLATION

SHOULD ANY OF THE ABOVE DESCRIBED POLICIES BE CANCELLED BEFORE THE EXPIRATION DATE THEREOF, NOTICE WILL BE DELIVERED IN ACCORDANCE WITH THE POLICY PROVISIONS.

AUTHORIZED REPRESENTATIVE



Disclosure Statement  
Regarding  
SHERRILL MORGAN Compensation

For managing the health plan and other general services, SHERRILL MORGAN will receive no form of compensation other than that which is paid by the Client. SHERRILL MORGAN will not receive overrides of any kind from vendors in connection with these services.

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Client

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Mark T. Morgan, President  
SHERRILL D. MORGAN AND ASSOCIATES, INC.  
DBA SHERRILL MORGAN

***SAMPLE***  
**CONSULTING AGREEMENT**

THIS AGREEMENT, made this \_\_\_\_ day of \_\_\_\_\_, 2012 by and between SHERRILL MORGAN, Inc., hereinafter called SHERRILL MORGAN, and the Client Sample, hereinafter called the Client.

WHEREAS, the Client desires to use the services of SHERRILL MORGAN for the purpose of performing an ongoing comprehensive analysis to assist the Client in achieving certain goals (see Proposal Detail);

NOW, THEREFORE, it is mutually agreed as follows:

ARTICLE I

The Client shall furnish any and all documents and information that SHERRILL MORGAN deems necessary to develop and complete the analysis, including signed authorizations requesting information from institutions or individuals.

ARTICLE II

SHERRILL MORGAN shall provide specific recommendations to the Client on how to achieve the Client's stated goals for its employee benefits program, and shall provide additional services as described in the Proposal Detail.

ARTICLE III

In consideration for the services of SHERRILL MORGAN, the Client shall compensate SHERRILL MORGAN a monthly fee of \$5.50 per employee per month. This fee is guaranteed for a period of two years.

ARTICLE IV

The fee in Article III shall include travel and accommodation expenses for SHERRILL MORGAN staff when necessary during the contract period.

ARTICLE V

The Client or SHERRILL MORGAN may terminate this agreement at any time by written notice. Upon such termination of this agreement, a pro rata fee for work performed by SHERRILL MORGAN shall be immediately due and payable by the Client.

It is hereby disclosed that SHERRILL MORGAN does not accept finder's fees or commissions in connection with this contract from any vendor it may recommend to the Client nor does SHERRILL MORGAN pay finders' fees or commissions in connection with this contract to any person or persons who have recommended its services to the Client. If the Client so wishes at the termination of this agreement SHERRILL MORGAN may market insurance plans to the Client. Please see disclosure statement.

Please note that Mark Morgan, President of SHERRILL MORGAN, is also an owner of the firm.

WITNESS the hands of the parties on this the day and date first above written.

Client Sample

BY: \_\_\_\_\_

Title: \_\_\_\_\_

SHERRILL D. MORGAN AND ASSOCIATES,  
INC. dba SHERRILL MORGAN

\_\_\_\_\_  
BY: Mark T. Morgan  
President

## Addendum to Group Products Agency Agreement

Commission Schedule Effective January 1, 2013

### BlueCross BlueShield of Tennessee products

#### I. Medical – Insured

Groups 2 – 50	\$32 per contract per month
Groups 51 – 100	\$29 per contract per month
Groups 101 – 150	5% of monthly premium
Groups 151 – 300	3% of monthly premium
Groups over 300	1% of monthly premium

*Increase your commission with ancillary products. When you sell \$25,000 in qualifying group term life or equivalent Specialty product premium, you can receive an additional \$3 PCPM for your groups of 2-100 or a 0.5 percent increase for your groups over 100. Protection Plus product qualifies. (Does not include DentalBlue<sup>SM</sup> or VisionBlue<sup>SM</sup>.)*

*For effective dates PRIOR to Feb. 1, 2013: New groups or existing groups that RENEW a qualified ancillary product are eligible for the added commission for the first 12 months of coverage.*

*For effective dates of Feb. 1, 2013, or later: Only new groups or existing groups that add a NEW qualified ancillary product are eligible for the added commission for the first 12 months of coverage.*

#### II. Flexible Spending Account Plans

	Monthly Premium	Commission %
Groups 2 - 150	Total monthly premium	5%
Groups 151 - 300	Total monthly premium	3%
Groups over 300	Total monthly premium	1%

#### III. Insured Dental

	Monthly Premium	Commission %
Groups 2 – 100	First \$800	10%
	Next \$1,500	8%
	Next \$1,500	6%
	Next \$4,000	5%
	Remaining monthly premium	4%
Groups 101 - 300*	Total monthly premium	6.5%
Groups over 300*	Total monthly premium	1%

*\*For groups with over 100 enrolled employees, commissions are negotiable.*

#### IV. Insured Vision

	Monthly Premium	Commission %
All Groups	Total monthly premium	10%

#### V. Medical/Dental/Vision – Self-Funded

Commissions for self-funded accounts are negotiable.

**Products available through Group Insurance Services**

VI. A. Life, Dependent Life, AD&D, STD, LTD, Supplemental Life, Supplemental AD&D Products

Employees Enrolled	% Commission
2 - 150	15%
Over 150	10% (negotiable)

B. Employee Assistance Program - 10% of fees

VII.

Voluntary Life, STD, LTD	15% of premium
Voluntary Dental	10% of premium
Voluntary Vision	10% of premium
Medical Bridge (standard)	15% 1st year; 10% years 2+*
GAP Plans (non-standard)	10% of premium*
Limited Benefit Medical Plans	10% of premium*

\*Commission reduced 5% if GIS/carrier enrolled.

Cancer, Accident, Critical Care, Hospital Indemnity	1st Year	2-5 Years	6+ Years
Broker Enrolled	45%	10%	8%
GIS/Carrier Enrolled	18%	7%	5%

**Commissions on sales of these products that have effective dates of January 1, 2013, or later shall be paid under the terms and conditions listed below.**

1. This Commission Schedule replaces any previous Commission Schedule you may have received.
2. If this Commission Schedule conflicts with any term of the Agency Agreement, then the terms of the Agency Agreement will control.
3. Commissions for product B in section VI and all products in section VII are paid based on carrier's commission schedule and may be changed based on that carrier's policies and procedures.
4. Effective upon your death, we will redirect your BlueCross BlueShield of Tennessee product commissions to another BCBST-appointed agent assigned by either you or your executor. This assignment will be subject to the contractual requirements of the new agent's agreement with us.
5. The additional commission percentage bonus for ancillary sales will only apply for new sales or the addition of new ancillary products to existing groups. (Excludes DentalBlue and VisionBlue)

We reserve the right to modify or change the commission and payment schedules with appropriate notification. Failure to receive this notice will not change its effective date.



BlueCross BlueShield of Tennessee  
1 Cameron Hill Circle | Chattanooga, TN 37402  
bcbst.com

BlueCross BlueShield of Tennessee, Inc., an Independent Licensee of the BlueCross BlueShield Association

Health Plan Budget Projection 2012-2013

	2011-2012 Actual	2012-2013 Projected*
<b>Annualized Fixed Costs</b>		
Administrator	Meritain	Meritain
Stop Loss Carrier	IAT	IAT
Single Enrollees	31	31
Family Enrollees	36	36
Total Enrolled	67	67
Specific Stop Loss Premium Per Single Enrollee Per Month	\$111.50	\$156.10
Specific Stop Loss Premium Per Family Enrollee Per Month	\$220.47	\$308.66
Aggregate Stop Loss Premium Per Enrollee Per Month	\$14.14	\$19.80
Administrative Fees Per Single Enrollee Per Month	\$29.25	\$29.25
Administrative Fees Per Family Enrollee Per Month	\$29.25	\$29.25
Broker Compensation Per Enrollee Per Month	\$27.36	\$27.36
Total Annual Specific Stop Loss Premium	\$136,721.04	\$191,409.46
Total Annual Aggregate Stop Loss Premium	\$11,368.56	\$15,915.98
Total Annual Administrative Fees	\$45,514.44	\$45,514.44
Total Fixed Cost	\$193,604.04	\$252,839.88
<b>Total Fixed Cost Per Employee</b>	\$2,889.61	\$3,773.73

<b>Annualized Claims Cost</b>		
Medical and Prescription Claims	\$900,123	\$981,134
Stop Loss Reimbursements	\$347,260	\$378,513
Total Medical and Prescription Claims	\$552,863	\$602,621
<b>Total Medical and Prescription Claims Per Employee</b>	\$8,252	\$8,994
<b>Total Cost (Including fixed and claims)</b>	\$746,467	\$855,461
<b>Total Cost (Including fixed and claims) Per Employee</b>	\$11,141	\$12,768

Four-Tier Funding Equivalents	Single	\$599.03
	Employee/Spouse	\$1,257.97
	Employee/Child	\$1,078.26
	Family	\$1,916.91

\* Projected Claims for 2012-2013 plan year are based on 9% medical trend. These numbers may fluctuate up or down based on utilization, monthly claims, current and on-going high claimants, and demographics. Stop loss premium based on 40% increase.

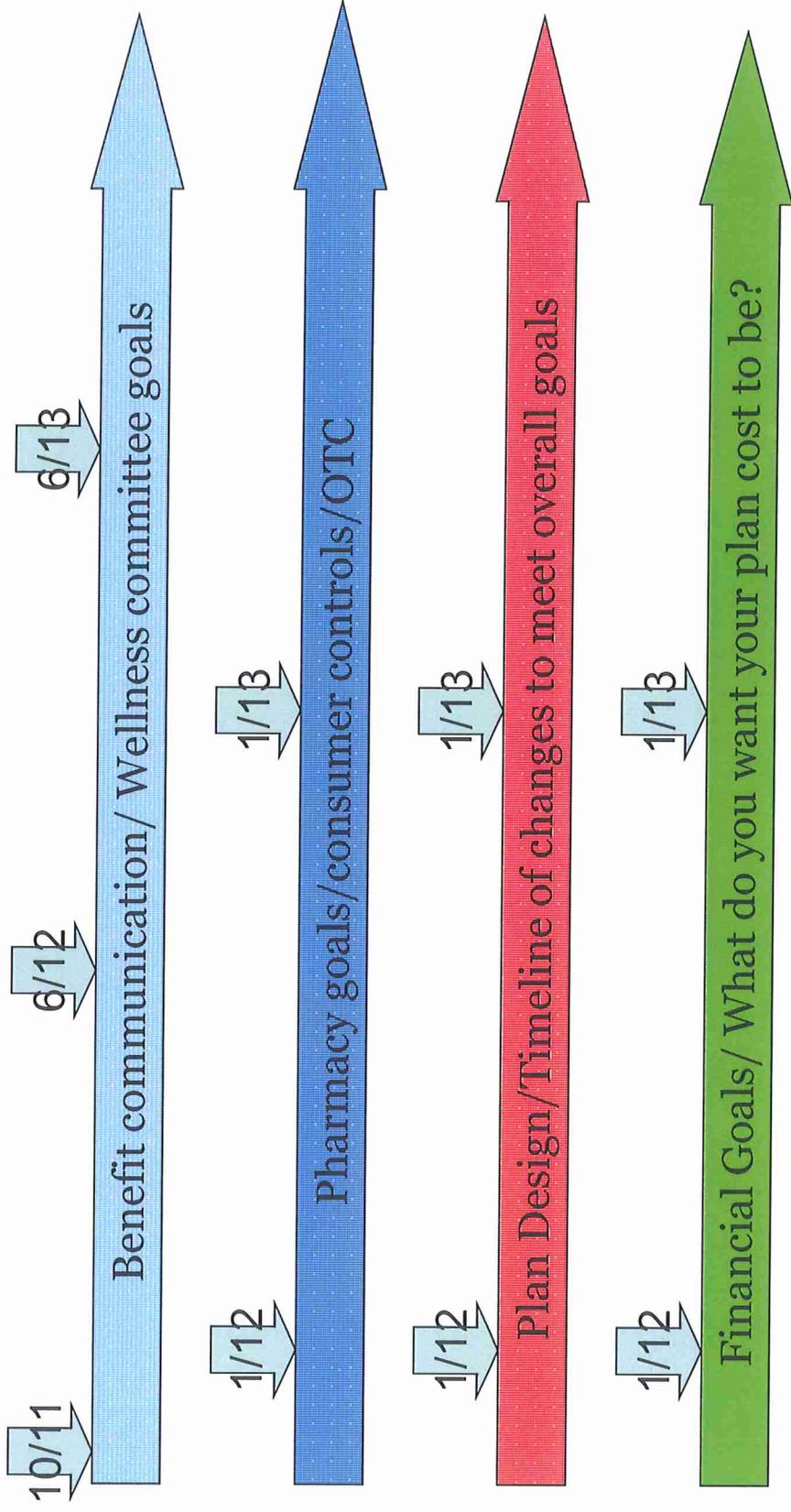
## SHERRILL MORGAN

### Three-Year Plan Components:

\*\*\*\*\*

- Goal-setting and Timelines
- Consumer-Driven Health Plans  
HRA, FSA, HSA, etc./ Pharmacy Benefits (OTC)
- Wellness Programs  
Information Gathering / Employee involvement
- Predictive Modeling
- TPA/Provider & Other General Services

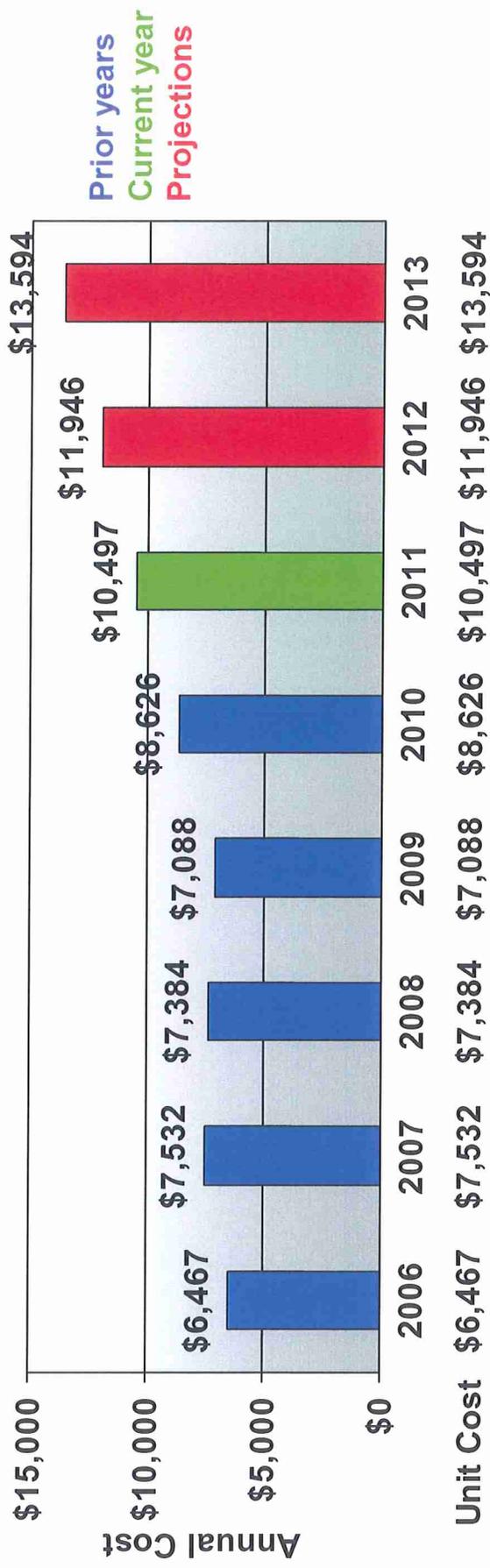
# Layers of Three-Year Plan Development



Goals for each area are set and how these areas relate to one another in achieving those goals is evaluated. Vendor evaluations are also performed in connection with related areas. Similar planning is done for other benefit areas.

# Health Care Plan Liability and Projection

Health Plan Unit Cost



Plan Goal \$ \_\_\_\_\_

2010/2011 based on 6 months of claims  
 13.8 % used for future projections. Average inflation for  
 current and prior years shown is 13.8 % per year from 1999.  
At this rate plan cost would double in less than 6 years.

*The changes contained in the Patient Protection and Affordable Care Act (PPACA) are on the horizon. What do these changes mean to you and your employees?  
Please join us for an important, informative*

## Health Care Reform Update

Franklin, TN • January 18, 2013 • 8:30 a.m. – 11:45 a.m.

~ Tentative Agenda ~

8:30 a.m.  
Registration and  
Continental Breakfast

9:00 a.m.  
Opening Remarks & Introductions

9:15 a.m.  
**How Health Care Reform Effects Access to Care**  
*Mark Morgan*  
*President, SHERRILL MORGAN*

9:30 a.m.  
**Health Care Reform Update: Plan Design and  
Financial Considerations for Employer  
Sponsored Plans**  
*Lisa Stamm, Esq.*  
*VP Consulting Services, SHERRILL MORGAN*

10:15 a.m.  
Break

10:30 a.m.  
**Break out Sessions:**  
*Small Group Exchanges*  
*Large Group Collaboration*

11:30 a.m. – 11:45 a.m.  
Question/Answer Session

11:45 a.m.  
Adjournment

SHERRILL MORGAN invites you and your associates to our Health Care Reform Update. More components of the Affordable Care Act are being implemented daily. The bulk of the reforms are scheduled to take place in 2014, which is just around the corner.

You will also learn about over 15 different changes that could impact you and your employees including:

- waiting period changes
- automatic enrollment requirements
- pay or play penalties
- and more

Please join us for this no cost, informative, invitation-only program. The meeting will take place in the Community Room located at:

**City of Franklin Police Department  
900 Columbia Avenue  
Franklin, TN 37064**

*Space is limited, so register today!*

**To register, contact:**

*Kristina Anthony*  
800-291-4222  
or  
[kristina@sherrillmorgan.com](mailto:kristina@sherrillmorgan.com)

*This event is sponsored by:*

**SHERRILL  MORGAN**



# Benefits Connection



YOUR ONGOING RESOURCE FOR EMPLOYEE BENEFITS AND INSURANCE UPDATES

Volume 8, Issue 7

\*\*\*TENNESSEE EDITION\*\*\*

Date: July 2013

## Inside this Issue...

### Industry News —

- **CORRECTION** - Comparative Effectiveness Research Fee
- Health Insurance Costs To Increase Significantly Under Affordable Care Act
- “Employer Mandate” Delayed Until 2015
- Essential Health Benefits
- Medical Loss Ratio Rebates By State

### Carrier Corner —

- BlueCross BlueShield of Tennessee
- Humana

### Announcements — Early Renewal Option By Carrier (reprint)

**CORRECTION** - In the June 2013 issue it was erroneously stated that “The first comparative effectiveness research payment put in place to support the Patient-Centered Outcomes Research Institute (PCORI) is due no later than July 31, 2013 for plan years ending October 1, 2012 through October 31, 2013.”

*The July 31, 2013 due date is only for plan years ending on or before December 31, 2012. The regulations state that the fee is due “by July 31 of the calendar year immediately following the last day of the plan year,” so if the plan year ends December 31, 2012, then the next calendar year is 2013. If the plan ends January 31, 2013, then the next calendar year is 2014.*

## Health Insurance Costs to Increase Significantly Under Affordable Care Act - State of Ohio / Department of Insurance / Communications Office / Press Release / June 6, 2013

*Plans Filed with Department of Insurance Show Higher Costs for Ohio Consumers*

COLUMBUS — The Ohio Department of Insurance today released details of health insurance plans that insurers have submitted for approval to sell on the coming federal insurance exchange for Ohio. The Department's preliminary analysis of the proposed plans for the individual market reveal that insurers expect the cost to cover health care expenses for consumers will significantly increase.

Based on a report released by the Society of Actuaries earlier this year, the Department estimates this increase is an average of 88 percent. While those costs do not specifically track with the premiums insurers charge individual customers, it is expected that these increases in costs will also translate to significant premium increases for many Ohioans.

A total of 14 companies filed proposed rates for 214 different plans to the Department. Projected costs from the companies for providing coverage for the required essential health benefits ranged from \$282.51 to \$577.40 for individual health insurance plans.

“We have warned of these increases since a state-specific study in 2011 indicated Ohio would be significantly impacted by the ACA,” Lieutenant Governor Mary Taylor said. “The Department’s initial analysis of the proposed rates show consumers will have fewer choices and pay much higher premiums for their health insurance starting in 2014.”

Estimates from a Society of Actuaries study released in 2013 showed Ohio’s current average cost to cover medical expenses for an individual health insurance plan is \$223. Based on the proposals submitted to the

Department, the average to cover those costs in 2014 is \$420 representing an increase of 88 percent when compared to the Society of Actuaries study. The proposed rates are not effective and are currently undergoing the Department’s review process. During this process, rates may change before becoming effective.

The Department released the information today to help health insurance consumers continue to prepare for the expected price increases. Specific premium information varies widely and can be unique to each individual or employer, but it is hoped that the information on proposed costs and rates can help consumers and health insurance consultants determine how their particular situations will be impacted.

In 2010, the federal Patient Protection and Affordable Care Act (ACA), which includes sweeping changes to America’s health insurance system, became law. It includes the creation of health care exchanges in which individuals and small business owners in every state can purchase qualified coverage. According to the federal government, initial open enrollment on the exchange is set to begin October 1, 2013. Coverage purchased through the exchange will have an effective date of January 1, 2014.

To learn more about the health care exchange visit [www.healthcare.gov](http://www.healthcare.gov). Ohioans with questions about insurance can call the Department at 1-800-686-1526.

NOTE: Filings submitted to the Department can be found on the System for Electronic Rate and Form Filings on the Department’s site; <http://insurance.ohio.gov/Company/Pages/RecordsRequest.aspx>. To access the filings, click on the HFAI link.

Success seems to be largely a matter of hanging on after others have let go.

~William Feather~  
(1889–1981)

## SHERRILL MORGAN

would like to welcome our newest clients:

~Linnemann Funeral Home~  
~Park Hills Animal Hospital~  
~Stith Funeral Home~

SHERRILL MORGAN

525 West 5th St., Ste. 310  
Covington, KY 41011

Phone: 859-291-6600  
Toll Free: 800-291-4222  
Fax: 859-291-7805

Website:  
[www.sherrillmorgan.com](http://www.sherrillmorgan.com)

## “Employer Mandate” Delayed Until 2015 - taken from “informed on reform”

On July 2, 2013, the Treasury Department announced that enforcement of the employer shared responsibility provisions of the Patient Protection and Affordable Care Act (PPACA) will be delayed by one year, until 2015. Compliance with the law’s information reporting provisions will be voluntary for 2014, but strongly encour-

aged.

The Administration said they recognized the information reporting required by insurers, self-insured employers and others providing health coverage is complex so they will try to streamline the requirements over the next few months. Without the reporting requirements

in place, it would be “impractical to determine which employers owe shared responsibility payments,” according to the post on the Treasury Department’s website.

**There will be no penalties in 2014 on businesses that don’t meet the requirements of the “employer mandate.”**



To: City Manager  
From: Mark Morgan  
Date: October 14, 2009  
Re: Three-Year Planning Objectives

The following are recommendations for the City's employee health and related benefits plan through July of 2011.

**Plan Design Recommendations (January 1, 2010):**

Active Employees

The City currently offers two health plan options, the Maroon and the White Plan, with the Maroon Plan having the richer benefits. In 2008-2009, the Maroon Plan's total costs were \$1,235,919 with a total average enrollment of 161. This equates to a cost per employee unit of \$7,677. For the same time period, the White Plan had a total cost of \$860,598 with a total average enrollment of 178. This equates to a cost per employee unit of \$4,835. The Maroon costs on an employee unit basis are approximately 59% higher than the White Plan. For this reason, we recommend elimination of the Maroon Plan effective January 1, 2010.

We then recommend that the City adopt one of the following options: (1) The White Plan with higher deductibles and a Health Reimbursement Arrangement; or (2) The White Plan as it currently exists and a second plan with higher deductibles and a Health Reimbursement Arrangement (see page 8 of the Attachment). If Option (1) is adopted, the City's estimated net savings would be \$67,000 in 2009. If Option (2) is adopted, the savings will be dependent on how many employees enroll in the White Plan versus the new HRA Plan. For illustrative purposes, if 25% of employees enrolled in the new HRA Plan and 75% enrolled in the White Plan, the estimated net savings would be \$17,000. These savings estimates were provided by underwriters at HCC, the stop loss carrier, and we would therefore consider them to be somewhat conservative.

We have provided four-tier employee premium recommendations for the Maroon and White Plans based on 15% of the estimated actual costs of those plans. We recommend setting employee premiums for the new HRA Plan at a 15% or greater discount over White Plan premiums in order to encourage enrollment in that plan.

Medicare-Eligible Retirees

We recommend moving Medicare-eligible retirees from the City's health plan to a Medicare Advantage Plan. A Request for Proposals was conducted in May of 2009, and Humana was selected as the carrier for this purpose. The estimated savings to the City from this action would be \$33,225 in 2010, plus substantial reductions in OPEB and GASB liability. A summary of these savings and a comparison of the benefits between the White Plan and the Humana Medicare Advantage Plan can be found on pages 11-14 of the Attachment.

Pre-65 Retirees

For retirees who are not yet eligible for Medicare, we recommend adopting a plan with a high deductible (\$5,000 for single, \$10,000 for family), but with the same copays and prescription drug card as active employees. We recommend that the City couple this with a "Retiree Medical

Reimbursement Account,” which would offer a benefit of \$200 for every year that a single retiree was employed by the City or \$400 for every year that a family retiree was employed by the City, up to the amount of the deductible. A retiree who had twenty-five years of service with the City, then, would have a fully-funded deductible. Adoption of this plan design would result in significant reductions in OPEB and GASB liability.

**Prescription Drug Benefit (January 1, 2010):**

Our pharmacy consultant, Allan Zaenger, has recommended the following copay structure for 30-day supply at retail prescriptions: \$10 generic/25% to \$150 preferred brand/25% plus \$25 to \$200. He also recommends limited coverage of the smoking cessation drugs Chantix and Zyban, and coverage of the following over-the-counter medications: Abreva, Alavert, Alaway, Claritin, Prilosec OTC, Zaditor, Zyrtec, and Zyrtec-D and any alternative brand or generic names for these medicines. We recommend that the over-the-counter substances be available at a reduced copay of \$1 or for zero copay.

**Disease Management (March 1, 2010):**

We recommend that the City consider adoption of some type of disease management or wellness program. These programs are often phased in over time, with participation initially encouraged on a voluntary basis but later encouraged more strongly through the use of financial incentives. Highland Wellmont has submitted a proposal for a disease management program that the City may want to consider (see attached).

**Network and Vendor Contracts (May-July 2010):**

The contract with Highlands Wellmont will need to be renegotiated prior to May 1, 2010. Other vendor contracts are rate-guaranteed through June 30, 2010, so those contracts will need to be reevaluated and, if necessary, Requests for Proposals can be issued.

**Mandatory enrollment of spouses in their employers' plans (July 2011):**

One of the primary inflationary issues for government plans is the number of dependents they cover. We recommend that the City consider instituting a policy limiting the eligibility of spouses who have group coverage offered to them by their own employers. The City can simply make such spouses ineligible, or it can require spouses to enroll in their employers' plans but allow them to continue to be enrolled on the City plan as secondary coverage. The savings to the City would be approximately \$2,880 for each spouse that left the plan entirely. If spouses are allowed to remain on the plan as secondary coverage, the savings would not be as great because the City would still incur fixed costs and claims up to the deductible/coinsurance levels. All other dependent medical claims equaled \$29,172 in 2008-2009. Some reduction in these claims would likely occur because children would follow the "birthday rule" and the City plan would become secondary on some of these dependents, increasing the estimated savings. Estimating the total impact to the plan is difficult because we are not sure of coverage availability for those dependents. Numerous private employers have adopted this type of eligibility rule for spouses, and the City will need to consider a similar policy in order to prevent family enrollment from going up in response to the actions of these other employers. We recommend that consideration of this policy begin no later than July of 2011.



## Over-the-Counter (OTC) Drug Program

### What is the OTC program?

The OTC program allows you to purchase selected over-the-counter medicines for allergies, stomach complaints, or cold sores at a reduced copay of \$1.00.

### How does the program work?

It works in the same way the prescription drug program works. To participate in the program, have your doctor write a prescription for a 30-day supply of the eligible over-the-counter drugs--Claritin (allergy medication), Alavert (allergy medication), loratidine (allergy medication), Prilosec (stomach medication), or Abreva (cold sore medication)--instead of the allergy, stomach, or cold sore medication you currently use. You then take this prescription to the pharmacy as you would any other prescription, and your pharmacist will dispense the medicine, submit a claim for processing, and collect your \$1.00 copayment in the same way they handle a prescription claim.

### How does the OTC program benefit me?

The OTC program saves money for both you and your health plan. You get a month's supply of medication for only \$1.00, and the health plan saves money, too, by substituting inexpensive but equally effective over-the-counter drugs for more expensive prescription drugs.

### Steps: to Summarize, in Order to Use the OTC Benefit:

1. Get a prescription from your doctor for OTC Claritin, Alavert, loratidine, "Prilosec OTC," or Abreva.
2. Have your pharmacist fill the prescription.
3. Pay the \$1 OTC copay instead of the higher Rx copay.

# Pharmaceutical Horizons

7100 N High Street  
Office Suite 305  
Worthington, Ohio 43085  
pharmaceuticalhorizons.com  
p 614.781.6500  
f 614.781.6503

TO: All Clients

FROM: Allan Zaenger R.Ph., MS  
Pharmaceutical Horizons, Inc.

RE: Specialty Drugs - Plan Coverage and Member Copayment Issues

## Issue Overview

“Specialty” Drugs are scientifically or “bioengineered” oral or injectable medicines that target and treat specific or “niche” conditions. These complex medical conditions include: anemia, cancer, hemophilia, infertility, growth hormone deficiency, multiple sclerosis, rheumatoid arthritis and the list is growing rapidly. There are more than 200 “specialty” drugs available today with more than 370 being developed or awaiting approval. The result is an increasing number of patients taking “high cost”, “high tech”, medicines that are more complex to use.

Specialty drugs are very expensive. The annual drug ingredient cost for a “traditional” brand name drug is about \$1,200.00. The annual drug ingredient cost per patient receiving a specialty medicine is \$6,000.00 to more than \$350,000.00 with an average of about \$18,000.00.

Specialty drugs are complex compounds and some have unique “handling” requirements. The FDA in selected situations has required dispensing from a single pharmacy or a limited set of “approved” pharmacies. Some “specialty” drugs are oral tablets or capsules, while others are self-administered injections, yet others require intramuscular or intravenous administration. The result is many drugs are distributed directly to patients, however, other medicines will be sent to physicians or home health care companies or other professional settings for administration.

Specialty drugs that patients are able to directly administer pose fewer distribution and reimbursement issues. These will fall under discounted reimbursement contracts with retail, mail order and specialty pharmacies. Specialty drugs that require intravenous, intramuscular, intra-articular or intraocular administration can be billed to the pharmacy program if dispensed from a “specialty” pharmacy and will secure reimbursement discounts for the plan or plan sponsor. However, billing for specialty drugs through a provider or provider organization under medical or ancillary contract can result in higher reimbursement or loss of available reimbursement discounts.

Most plan sponsors apply “step-edits” and/or prior authorization criteria prior to the dispensing or administration of a specialty drug. These requirements ensure appropriate use of a specialty drug; however, if the patient meets the clinical circumstances for use of a specialty drug, approval is given and the plan becomes financially responsible for this medication for as long as clinical criteria permit or until the patient no longer obtains clinical benefit from the drug.

## Recommendation:

1a. Apply an annual benefit maximum or expiration assigned to a member (or covered life) level for ALL prescription drug claims during the "benefit" year. This recommendation covers the financial risk associated with individual "specialty" drugs and complex medication regimens that apply multiple "specialty" drugs. This is the most straight forward strategy to address this situation. It can be explained to members clearly and can be applied to any Rx copayment strategy.

1.b. Apply a maximum drug benefit at a member level for drugs administered under an outpatient medical, home health or other ancillary health benefit program. This will deter members seeking more costly care for drugs or treatment for a clinical condition (ex. Remicade or Orencia vs Enbrel or Humira for Rheumatoid Arthritis) because their out of pocket cost is lower or it avoids the prescription drug benefit maximum. This step is required with the adoption of #1 above. It should be at plan amount paid that is at least 50% below the annual benefit maximum identified in #1 above.

One (b) (1b) is required because of the way health providers bill for medicines under outpatient medical, physician, home health care, and ancillary health benefit programs. Prescription drug claims have "real-time" or "point of service" data capture and processing and include very specific and detailed requirements that are heavily dependent on numeric codes for reimbursement. Claims from other providers that include prescription drugs do not have the "real time" or "point of service" demands and do not adhere to the same rigorous standards. The lack of data specificity associated with these claims from non-pharmacy providers makes it very difficult for any insurer or administrator to apply an annual benefit maximum to "specialty" drugs under the drug benefit plan, without also adding provisions to other provider billing that also includes drugs. Not including 1.b. will ensure that other health care providers will submit claims that include "specialty drugs" at a higher drug ingredient cost and lower member copayment, resulting in a higher plan amount paid.

We recommend against limiting the annual benefit maximum or expiration to a discrete list of "specialty" drugs or drug classes. The numeric codes associated with prescription drug claims are not part of the standard claims procedures associated with claims from other health providers, complicating the claims processing activities of insurers and benefit administrators. As a result it is virtually impossible for any insurer or administrator to process claims accurately and consistently against a "specialty drug list". It is also difficult to maintain a "list" under the drug benefit because of the frequent changes expected to such a document (multiple additions each quarter to this list).

2. If a plan applies an annual benefit maximum or expiration, then percentage copayments can be "capped" at a fixed amount per claim (ex. retail = \$100, mail order = \$300).

3. It is recommended that plans apply step-edit and/or prior authorization criteria to all "specialty" drugs.

4. Optional Tier 4 Drug Copay. Prescription drug plans with fixed member copayments at Tiers 2 and 3, can add and apply a Tier 4 "percentage" copay to a listing of specialty drugs. The need for this option is eliminated with the use of percentage copayments at Tiers 2 and 3 under the drug benefit program. However, in fixed drug copay plans a fourth tier that applies a percentage copay for "Specialty Drugs" can be implemented. A "listing" of Specialty Drugs is provided and will require period updates. Updates to this "specialty" drug list will occur each quarter and communication of changes by each plan sponsor with this provision will be required.

**Precaution**

The simple adoption of a Tier 4 drug copay will increase the risk that members and providers will seek and obtain high cost drug therapy under an outpatient medical, physician, home health care, and/or ancillary health benefit claim due to lower member cost share under one of these benefit programs. In addition, it must be clearly understood that while the drug benefit can apply administrative procedures associated with a list of drugs due to the specific codes, these codes are not part of claims submission procedures associated with other health provides and as a result virtually impossible for any insurer or administrator to process consistently to capture the correct member cost share to these claims. With application of a "list" plans sponsors can be certain that members and providers will attempt, and if permitted, succeed in finding a "way" to work through the patient's financial limitations while "maximizing" their revenue and service fees for medication "services".

# Pharmaceutical Horizons

7100 N High Street  
Office Suite 305  
Worthington, Ohio 43085  
pharmaceuticalhorizons.com  
p 614.781.6500  
f 614.781.6503

TO: All Clients

FROM: Allan Zaenger R.Ph., MS  
Pharmaceutical Horizons, Inc.

RE: Drugs for Smoking Cessation – Coverage Recommendation

## Issue Overview

Smoking is the number one cause of preventable illness in the United States. Every hour of each day, 40 people die as a direct result of smoking. The annual mortality of 440,000 is 18.1% of all deaths that occur in the US. Smoking is also a major contributor to cardiovascular and lung disease accounting for 56% of deaths due to these conditions. In 2002, 45.8 million adults in the US were smokers, with 82% of these persons smoking daily.

Nicotine is a powerfully addicting, psychoactive compound. At concentrations that are found following cigarette smoking, nicotine stimulates the brain chemicals listed below that produce the associated effects:

- Dopamine - pleasure, reward
- Norepinephrine - arousal, appetite suppression
- Acetylcholine - arousal, cognitive enhancement
- Glutamate - learning, memory enhancement
- Serotonin - mood modulation, appetite suppression
- Beta-Endorphin - reduction of anxiety and tension, pleasure
- GABA - reduction of anxiety and tension

During smoking, short-term high doses of nicotine activate the neuro-chemical pathways that provide pleasure. Following this brief “reward” period, nicotine concentrations diminish to lower levels because it is quickly broken down and removed from the body. These sustained lower levels then produce less pleasant effects that result in cravings for the next cigarette.

Addictive behavior is established by the repeated need to self-administer pleasurable stimuli. The pleasurable effects of many addictive substances are enhanced by the unpleasant effects that occur when drug concentrations cycle between high and low levels according to the rate of “self-administration”. Thus, avoiding a withdrawal reaction as well as delivering a pleasure stimulus becomes the incentive for drug-taking.

Current therapies for smoking cessation focus on:

1. nicotine replacements that come in various formulations (gum, transdermal patches lozenges, nasal sprays and oral inhalers);
2. bupropion SR (Zyban)
3. varenicline (Chantix)

Many of the nicotine replacement therapies are available over-the-counter, while the nicotine nasal sprays, oral inhalers, Chantix and Zyban are all prescription medicines.

## Recommendation:

Nicotine is a powerfully addicting drug that also has significant negative cardiovascular effects. Use of any form of tobacco and second hand smoke produce adverse clinical consequences. We have accumulated knowledge and recent gains in clinical understanding of how to change and diminish the addictive behaviors associated with nicotine use. As a result, I recommend that the prescription drug benefit plan for all clients cover Chantix, Zyban (and generic alternatives to Zyban) under the following clearly defined protocol:

- 1 The only covered drugs are Chantix and Zyban (and generic equivalents to Zyban or Wellbutrin SR). While not completely understood, these drugs work in the brain to thwart the pleasure enhancement and/or diminish the cravings associated with nicotine use. Because nicotine use is an addiction, replacement therapy with patches, gum, and inhalers, risks perpetuating the addiction and/or contributing to relapse or return to tobacco use. Nicotine replacement products (both OTC and Rx) are excluded from this benefit. No other OTC or smoking cessation products are covered under this program.
- 2 Coverage is limited to the first 180 tablets of Chantix or Zyban in each benefit or year. Additional therapy and associated claim charges during the benefit year will be paid entirely by the member. The first 180 tablets will provide medicine for the first 12 weeks of treatment and is consistent with the product labels for both drugs.
- 3 No mail order benefit will apply to this program.
- 4 This benefit is offered to each member once during the benefit year.
- 5 This benefit is offered annually.
- 6 Member copayment for standard Rx claims will apply. Variations to member copayment are possible to reduce the plan contribution to the benefit.

The estimated total claim charges associated with 12 weeks use of brand Zyban is \$425.  
The estimated total claim charges associated with 12 weeks use of generic bupropion is \$230.  
The total claim charges associated with 12 weeks use of Chantix is expected to be \$290.

It is recommended that members follow product instructions and enroll in the behavior modification program sponsored by the manufacturer of the medicine. These programs improve the likelihood that members will quit and remain nicotine free.

## Estimated Annual Benefit Cost

I've prepared the following assumptions and estimated plan amount paid based on the estimated claim charges above and a Tier 1 member copayment of \$10 and a brand drug copayment of \$30 per claim:

1. 1,000 covered lives;
2. 25% of covered lives currently smoke (250 covered lives);
3. 16% of smokers (40 covered lives) would make a decision within the calendar year to quit;
4. Total claim charges less member copayment - plan cost for 1,000 covered lives in one plan year = \$8,000 (40 covered lives x \$200) or \$0.67 PMPM or \$8.00 PMPY. If the plan amount paid PMPM is \$40.00 this additional benefit would increase plan amount paid by 1.6%.

Clinical data indicates that the number of members who will successfully quit without any help is 5-16%. With the use of medications and behavior modification, the 12 month abstinence rates increase to 20%-25%. Of the 40 members who attempt to quit using the benefit 8-10 will be smoke free after 12 months following completion of the treatment. Many people require more than one attempt to quit.

I am available to speak with you about this recommendation further at your convenience.

# Pharmaceutical Horizons

7100 N High Street  
Office Suite 305  
Worthington, Ohio 43085  
pharmaceuticalhorizons.com  
p 614.781.6500  
f 614.781.6503

DATE: November 22, 2011

TO: Client

FROM: Mark Morgan  
SHERRILL MORGAN

PREPARED BY: Allan Zaenger R.Ph., MS,  
Pharmaceutical Horizons, Inc.

RE: Drug Cost and Use Evaluation

This drug cost and use evaluation is for Jan-Oct 2011, Jan-Oct 2010, and 2010. Data for this evaluation was obtained directly from paid prescription claims then analyzed and compared with Public Line of Business (“LOB”) Benchmarks.

## SUMMARY

Jan-Oct 2011 Amount Paid Per Member Per Month (“PMPM”) was \$5.00 or 11.2% greater than Jan-Oct 2010. The Jan-Oct 2011 gross plan amount paid was \$14,095.99 or (12.3%) greater than Jan-Oct 2010. The change in plan amount paid PMPM for Jan-Oct 2011 is primarily due to a(an):

- increase in drug ingredient cost / Rx Claim;
- decrease in member copayment / Rx Claim and member copay as a percent of total claim charge;

The increase in gross plan amount paid is the result of a(an):

- The factors identified above;

The following factors contributed to this increase and are discussed in detail later in this report:

1. Rx Claims PMPM increased 0.01 or 0.4%;
2. Member Co-payment per Rx claim decreased \$1.53 or 14.8%;  
As a percent of total claim charge, Member Co-payment decreased by 4.1%;
3. The Rate of Generic Dispensing increased 1.6%
4. Drug Ingredient Cost increased \$2.46 or 5.4%;

## DETAILED ANALYSIS

### **Section 1. Amount Paid PMPM**

Amount Paid PMPM is the capstone metric for evaluation of plan performance. It incorporates:

- Utilization;
- Drug Ingredient Cost
- Member Contribution

Plan Amount paid requires a focus on these elements with an understanding of the factors that impact these basic elements. The chart below details the Amount Paid PMPM for all groups for the identified periods:

AMOUNT PAID PMPM	Jan-Oct 2011	Jan-Oct 2010		2010
Client	\$49.60	\$44.61		\$46.57
Public LOB Benchmark				\$53.12

- Jan-Oct 2011 Client Amount Paid PMPM was **\$5.00 or 11.2% greater** than Jan-Oct 2010.
- 2010 Client Amount Paid PMPM was **\$6.55 or 12.3% less** than the Public LOB Benchmark.

### Section 2. Utilization

Utilization refers to the number of claims submitted for payment by pharmacies for eligible Client participants on a per member per month (“PMPM”) basis. The chart below details Utilization for all Client groups for Jan-Oct 2011, Jan-Oct 2010, and 2010.

UTILIZATION PMPM	Jan-Oct 2011	Jan-Oct 2010		2010
Client	1.21	1.20		1.21
Public LOB Benchmark				0.88

- Jan-Oct 2011 Client Use was **0.4% or 0.01 prescriptions greater** than Jan-Oct 2010.
- 2010 Client Use was **37.5% or 0.33 Rx's PMPM greater** than Public LOB Benchmark.
- **Focus on Wellness** – Plan sponsors with active wellness programs that include strong incentives for participation, often identify latent clinical conditions that can result in earlier use of medications boosting medication use rates.
- **Factors Contributing to Utilization Increase** - Drug use PMPM is primarily related to the age, obesity, and tobacco use demographics of a group or sponsor; however, benefit design (coverages, exclusions, and member copay), market forces and cultural factors (ex. Direct to consumer advertising, greater emphasis on healthcare detection and prevention, aging “baby-boomers”, etc.) also contribute to increasing use of the prescription drug benefit.

### Section 2. Member Co-payment

Member Co-payment refers to the average amount contributed per prescription by Client members. The chart below details member co-payment for all Client groups Jan-Oct 2011, Jan-Oct 2010, and 2010. The percent indicated below the dollar amount is the percent of member co-payment to total claim charge.

MEMBER COPAYMENT	Jan-Oct 2011	Jan-Oct 2010		2010
Client	\$8.76 (17.6%)	\$10.28 (21.7%)		\$10.24 (21.0%)
Public LOB Benchmark				\$11.73 (16.3%)

- Jan-Oct 2011 Client Co-payment was **\$1.53 or 14.8% less** than Jan-Oct 2010; however, as a percent of total claim charge member copayment was **4.1% less**.
- 2010 Client Co-payment was **\$1.49 or 12.7% less** than the Public LOB Benchmark; and, as a percent of total claim charge member copayment was **4.7% greater**.

### Section 3. Generic Dispensing Rate

Generic Dispensing refers to the ratio of prescriptions dispensed with generic drugs compared to all dispensed prescriptions. The chart below details the rate of Generic Dispensing Rate for all Client Groups.

GENERIC DISPENSING	Jan-Oct 2011	Jan-Oct 2010		2010
Client	76.6%	75.0%		75.2%

Public LOB Benchmark				68.5%
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- Jan-Oct 2011 Client Generic Dispensing was **1.6% greater** than Jan-Oct 2010
- 2010 Client Generic Dispensing was **6.7% greater** than the Public LOB Benchmark.

#### Section 4. Drug Ingredient Cost

Average Drug Ingredient Cost refers to just the average drug ingredient cost per prescription and excludes dispensing fees and member co-payments. The chart below details the Average Drug Ingredient Cost for all Client groups for Jan-Oct 2011 and Jan-Oct 2010:

DRUG INGREDIENT COST	Jan-Oct 2011	Jan-Oct 2010		2010
<u>Client</u>				
Brand	\$152.56	\$127.35		\$134.18
Generic	\$15.86	\$18.12		\$17.93
Average	\$47.90	\$45.43		\$46.77
<u>Public LOB Benchmark</u>				
Brand				\$174.28
Generic				\$21.97
Average				\$69.91

- Jan-Oct 2011 Client Drug Ingredient Cost was **\$2.46 or 5.4% greater** than Jan-Oct 2010.
- 2010 Client Drug Ingredient Cost was **\$23.14 or 33.1% per Rx less** than the Public LOB Benchmark.
- **Factors Contributing to Increased Drug Cost.** Drug cost per prescription is determined by product selection and the demographics associated with each group. In general, the rate of generic Dispensing remains the greatest predictor of drug cost. The higher the rate of generic dispensing the lower the drug cost per prescription. In addition, inflation in the cost of individual drugs, changes in drug mix and changes in benefit design significantly affect drug cost. Changes in drug mix occur when higher cost drugs within a drug class are used or when higher doses of the same drug are used (dosage creep). Changes in benefit design that may affect drug costs include, but are not limited to, changes in member co-payment, changes in quantities dispensed per prescription, the implementation of a mail order drug program.
- **The Jan-Oct 2011 drug ingredient cost discount from AWP obtained directly from the provider networks (does not include rebates) was 47.1%.**
  - The Retail Generic Rate = 75.3%;
  - The Retail Brand Rate = 12.6%;
  - The Mail Order Generic Rate = 92.3%;
  - The Mail Order Brand Rate = 16.7%.

#### **Summary and Recommendations**

The Jan-Oct 2011 Client plan amount paid PMPM was 11.2% greater than the Jan-Oct 2010. The following factors contributed to this performance:

1. drug use PMPM was 0.4% greater;
2. drug ingredient cost was 5.4% greater, with a 1.6% greater rate of generic dispensing
3. member copayment/Rx Claim was 14.8% less; however, as a percent of claim charge 4.1% less.

#### Drug Use

Jan-Oct 2011 drug use per member per month increased 0.4% from Jan-Oct 2010. Enrollment increased by 3 members per month while claims increased by 5 per month.

#### Drug Ingredient Cost

The following factors produced the drug ingredient cost:

1. Jan-Oct 2011 generic dispense rate was 76.6% which was 1.6% greater than Jan-Oct 2010;
2. The average network discount rate across all claims = 47.1%
3. The increase in generic dispense rate provided an insufficient offset to the inflationary cost of selected brand name drugs including – Cymbalta, Celebex, Lipitor, Singulair, Actos.

The table that follows provides a comparison of key statistics associated with high cost and/or specialty drugs for Jan-Oct 2011:

	Jan-Oct 2011	Jan-Oct 2010
Specialty Drug Total Plan Amount Paid	\$25,775.61	\$7,057.09
Specialty Drug Plan Amount Paid PMPM	\$9.49	\$2.76
Specialty Drugs % of Total Plan Amount Paid	19.1%	6.2%

Member Copayment

The current member copayment structure is a Plan Copayment Design where Client pays the first \$60 of every 30 day supply claim. The member is obligated to pay up to the next \$60 of every 30 day supply claim. Once the total claim charge reaches \$120, Client pays the balance of the total charge for these claims.

This copayment structure produced a 17.6% member contribution to total claim charge for Jan-Oct 2011.

This copayment design remains a “fixed” dollar copay design. Fixed copay designs require periodic adjustment in order to contribute the same percent member contribution to total claim charge over time. If they remain unchanged inflationary increases in drug ingredient cost or the use of higher cost brand medicines results in a reduction in member contribution to total claim charge.

**Recommended Amendments to Plan Design**

**Higher cost and/or specialty drugs remain an issue for all plan sponsors. These medications will continue to have an increasing financial strain on plan amount paid. It is recommended that this plan sponsor consider one of the following approaches to this problem:**

Option 1: Adopt a percentage copayment design at Tiers 2 and 3 and eliminate any copayment maximums and member out of pocket maximums – for example:

<u>Retail</u>	<u>Mail Order</u>
Tier 1 = \$5	Tier 1 = \$10
Tier 2 = 30% TCC*	Tier 2 = 30% TCC*
Tier 3 = 30% TCC* + \$15	Tier 3 = 30% TCC* + \$15

\*TCC – Total Claim Charge

Had the copayment structure above been in place during Jan-Oct 2011:

- a. Total Claim Charges would have been increased by **5.9% or \$9,230.42;**
- b. Member Copayments would have been increased by **\$33,024.56;**
- c. Plan Amount Paid would have been lower by **\$23,794.13 or \$9.19 PMPM or 18.5%.**

Option 2: Adopt a strict “Plan Copayment” design

Plan pays the first fixed amount of the drug claim with the member obligated for any remainder. The amount of the “Plan Copayment” amount would be at the discretion of the sponsor. Currently the Average 30 day supply total claim charge is:

- \$17.77 for a generic medicine; and,
- \$154.25 for a brand medicine.

November 22, 2011

Page 5

If the "Plan Copayment" is \$60 for a 30 day supply of a drug with a total charge of \$200.00, plan sponsor pays the first \$60 and the member is obligated to pay up to the next \$140. If the 30 day supply of a drug with a total charge of \$40.00, plan sponsor pays \$40 and the member is obligated to pay up to the next \$0. This plan design requires no drug formulary.

Had the copayment structure above been in place during Jan-Oct 2011:

- a. Total Claim Charges would have been increased by **5.9% or \$9,230.42**;
- b. Member Copayments would have been increased by **\$40,747.23**
- c. Plan Amount Paid would have been lower by **\$31,516.81 or \$12.17 PMPM or 24.5%**.

Option 3: Assign an amount to each employee that is deducted from wages

The amount equal to the amount paid for high cost / specialty drug claims for the current period Jan-Oct 2011 for this plan sponsor is \$25,775.61, or \$9.49 PMPM or \$21.62 PEPM.





**2. Recognizing that all areas of the health plan are important, please indicate how important each of the following areas of the plan are to you by using this scale:**

- 1 Not very important
- 2 Somewhat important
- 3 Important
- 4 Very important
- 5 Extremely important

Current Prescription Drug Benefits \_\_\_\_\_

Current Office Copays \_\_\_\_\_

Current Emergency Room Copays \_\_\_\_\_

Current Deductible Levels \_\_\_\_\_

Current Coinsurance Levels \_\_\_\_\_

Current Out-of-Pocket Maximum Levels \_\_\_\_\_

**3. Your comments/suggestions regarding future planning for the health plan:**

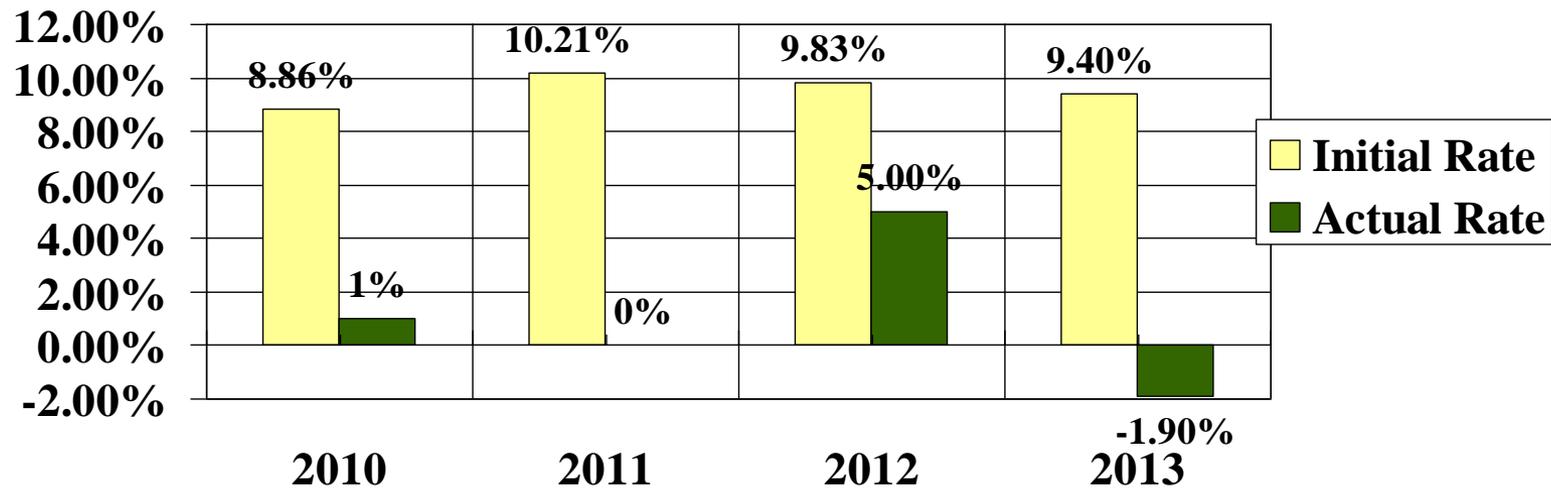
# City of Spring Hill Broker Services 2013-2014

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Presented by Mike Henson and Charles  
Pareigis

January 6, 2014

# Medical Renewal History



January 6, 2014

# Significant Accomplishments

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- ❑ From 2010 to 2013 the Medical Increase has averaged only **1.025%** per year.
- ❑ Instituted a Wellness Plan that is having an impact on claims.
- ❑ In 2013-2014 managed a major change of carrier and plan type.
- ❑ Continue to provide excellent Customer Service that assists with any issues that arise.

# Change to CIGNA

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- ❑ Reduced Overall Premium by -1.90%
- ❑ Provides more detail into claims and current status of the plan.
- ❑ Provides an opportunity for sharing in claims \$\$ if claims are good with no risk if claims are bad.
- ❑ Plan type minimizes the impact of PPACA for the foreseeable future.
- ❑ Bringing TriStar back in-network.
- ❑ CIGNA provided \$10,000 towards the Wellness Program.

# Advantages of Level Funding

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- ❑ Ability to participate in good claims years.
- ❑ No risk in bad claims years.
- ❑ More claims information available
- ❑ Avoidance of Federal PPACA Premium Tax 2-2.5% in 2014.
- ❑ Avoidance of Essential Benefits Mandate 7.5% Increase estimate.
- ❑ Avoidance of State Premium Taxes 1.75%.
- ❑ Self-funded plans should be able to better control their costs because they escape the greater regulations that the health insurance industry faces.

# Dental

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- Prior to 2010 City of Spring Hill would accept a 5-7% increase each year.
- In 2011 we aggressively shopped the marketplace and reduced rates by 29% saving over \$13,000.
- In 2012 selected BCBST which held rates at current with a two year rate guarantee.
- Dental renews in 2014. We will continue to shop this program when warranted to keep costs down for the city while maintaining excellent benefits.

# Other Benefits

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- ❑ Added Long Term Disability by utilizing savings from Dental Plan.
- ❑ Vision doesn't renew until July 1<sup>st</sup> 2016
- ❑ Basic Life, Voluntary Term Life, and Short Term Disability continue to be offered to the employees.
- ❑ Aflac programs like Critical Illness and Accident are also available to employees.

# Other Drury Group Services

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- HR Consulting and Help Desk has been utilized by City of Spring Hill Administration for a variety of projects over the years.
- Customer Service provided by our dedicated Account Managers for City and Employee issues.
- Open Enrollment and Benefit Communication meetings are conducted by the Drury Group to provide continuity and consistent benefit communication.

# Planning for the Future

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- Continue meeting with CIGNA to discuss condition of Medical plan.
- Further implementation of the Wellness Program
- Continued implementation of plans to minimize the impact of PPACA.
- Open Enrollment can be improved with
  - Online Enrollment
  - Benefit Guide in paper and online formats.
  - Webinar/Webcasts for additional communication.
  - Customized Benefit Statements.



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Thank you BOMA members for your time  
and attention.

January 6, 2014





## **REQUEST FOR QUALIFICATIONS INSURANCE BROKERAGE/CONSULTING SERVICES**

### **1. OVERVIEW**

The City of Spring Hill, Tennessee employs almost 212 full and part time employees. Approximately 200 full time employees, as well as their qualified family members enjoy our very fine employee benefit package which includes medical, dental, and vision insurance, as well as Life, AD&D, STD, and LTD coverages. The City of Spring Hill is fully-insured. The newly-formed Human Resources Department consists of one employee who is responsible for benefits administration as well as all other Departmental duties.

### **2. PURPOSE AND EVALUATION METHOD**

A FY2012-2013 Purchasing Plan amendment requires this Request for Qualifications (hereinafter "RFQ") process in order to ensure the City of Spring Hill is receiving the brokerage best prices and service for its employees. The Respondents' ability to demonstrate their capacity to help manage insurance costs, streamline administration, and offer the City of Spring Hill the best options in convenience will be considered. The City also requires excellence in customer service. Respondents should respond to all questions in this Request for Qualifications. The City of Spring Hill will contract directly with an organization capable of performing the requirements of this Request for Qualifications. A portion of the RFQ evaluation will be based on a point system. A total of 100 points may be awarded as follows (partial points permitted):

- Quality of Broker Response (10 points)
- Proposed approach and plan to support the City of Spring Hill (15 points)
- Quality of services; experience of firm and staff (15 points)
- Comprehensiveness of Services offered (20 points)
- Fees and costs (20 points)
- Broker and Company References (10 points; recommendations from governmental entities within the State of Tennessee will receive significant regard. References for both potential assigned broker and the company are both required )
- Location of Company (10 points)

Other qualifications will be evaluated as needed.

A Letter of Intent may be emailed and/or sent via postal service to Shelley Taylor, but must be received no later than "insert date here." (See page 4 for contact information.)

*While the Letter of Intent is not a required pre-requisite for RFQ submittal, providing such ensures a Respondent will receive any amendments or other communications related to the RFQ. Respondents may withdraw their Letters of Intent at any time prior to the deadline for the submittal of proposals.*

The City of Spring Hill will accept Respondents replies until 3:00 p.m. on December 12, 2013. Responses received after the deadline will not be considered.

### **RFQ SCHEDULE**

Event	Date	Description
1.	November 7, 2013	City Issues RFQ
2.	November 18, 2013	Letter of Intent Deadline
3.	December 12, 2013	RFQ response Deadline
4.	December 16, 2013	Qualified RFQ Evaluations Begin
5.	January 6-10, 2013	Finalist Interviews Conducted
6.	January 13, 2013	Recommendation to BOMA

*The RFQ schedule is intended as a guideline for planning purposes. While dates may vary according to management and administrative needs, in no event will the deadline for proposal submittal be modified.*

### **3. SPECIFICATIONS**

Please provide the following information in your RFQ response:

1. A description of the brokerage firm, including a brief history, size, number/location of offices and other pertinent information. Describe your organizational structure, including an overall history description of your firm.

**The Drury Group, an independent insurance brokerage firm, is locally owned with offices located in downtown Franklin, TN. The Drury Group has been advising and providing employee benefits to our client groups for over thirty-five (35) years. Our goal is to become an extension to our client's human resource/benefits departments assisting with every aspect of their Employee Benefits Program. As an independent broker, The Drury Group is not tied to nor associated with any insurance company, third party administrative agency or provider network. However, we have established a reputation within the industry as a strong, fair and competent organization. This reputation along with our diligence often allows us to obtain a competitive edge for our clients.**

2. The name(s) of the person(s) assigned to perform the work for the City of Spring Hill and a brief bio for each one

**Charles Pareigis, President:** Charles joined The Drury Group in 1993 and quickly became the healthcare specialist for The Drury Group. He has been instrumental in guiding the company into a new frontier, through the introduction of new technology and cutting edge ideas. Recently, he was promoted to the leadership role of President. Charles, a graduate of Western Kentucky University, is an active member of the community, an alumni of Leadership Franklin, and is currently serving as a coach on his children's little league teams.

**Mike Henson, Vice-President of Marketing:** Mike joined the Drury Group in 1990 and has over 20 years experience in the employee benefit arena. Mike is responsible for the company's marketing and account development and he also performs a number of key administrative roles and sales-related functions. He is instrumental in implementing initiatives that support new business acquisition and building the company's client portfolio. He attended Tennessee Tech University on a baseball scholarship and earned a degree in Business Administration/Finance in 1986.

**Roxanne Sanders, Senior Account Manager:** Roxanne joined the Drury Group in 2009, bringing with her previous experience in benefits and sales support from FISI Madison Financial. Roxanne serves as liaison between the employer/employee and the insurance carriers. Her role is to be the single point of contact for customer service which includes resolving claim issues, explaining benefits and conducting enrollments. She earned a degree in Business Administration/Marketing from University of Tennessee at Martin.

3. Indicate how long your company has been providing employee insurance benefit services.

**The Drury Group has been providing employee benefits since 1975.**

4. Provide the number of clients you currently service in the public sector and the number of public sector clients you have served in the last three years and the contact information of at least three of these.

**The Drury Group currently provides employee benefits to five clients in the public sector.**

- **Williamson County (TN) Government and BOE**

**Rogers Anderson – County Mayor  
1320 W. Main Street  
Franklin, TN 37064  
615-790-5700**

- **City of Waynesboro TN**

**John Hickman – City Manager  
122 Public Square East  
Waynesboro, TN 38485  
931-722-5458**

- **Carrollton City Schools (GA)**  
 Delaine Hanson – Human Resources Director  
 202 Trojan Drive  
 Carrollton, GA 30117  
 770-832-9633
- **Town of Thompsons Station TN**  
 Greg Langeliers – Town Administrators  
 PO Box 100  
 Thompsons Station, TN 37179  
 615-794-4333
- **City of Spring Hill TN**

4. Confirm that you are a licensed broker in TN. Describe the firm’s Errors and Omissions (E&O) limits and provide evidence that all applicable insurance coverage and licenses are currently carried.

**Every person who works at the Drury Group is a licensed agent in the state of Tennessee. Attached is a copy of our producer licenses and our E&O policy for your review.**

6. List the types of compensation you receive:

a. Fee for service

**The Drury Group currently does not receive any fee for service monies but has negotiated consultant contracts in the past and can do so if desired.**

b. Commissions

**The Drury Group does receive commissions from insurance carriers. Commissions received are at the standard commission levels paid related to the specific product being offered. We do not have or sell products that have special commission arrangements that are non-standard.**

c. Bonuses (list types)

**The Drury Group has received volume bonuses related to our block of business (over the span of all our clients) with a specific carrier and based upon its profitability for the carrier. This never factors into our quote analysis with regard to our individual client. The presentation of available insurance options is based on the best rates and plan design across all available carriers. The evaluation of all the best options is always presented to our clients and is ultimately the clients’ decision as to which carrier best fits their needs.**

d. Non-cash incentives (i.e. incentive trips)

**The Drury Group does not accept non-cash incentives to place business with a carrier.**

e. Other

N/A

7. Describe the overall administration services that are provided for benefits, billing, claim research and administrative training/consultation.

**The Drury Group account managers provide a single point of contact for any questions or issues that arise concerning eligibility, billing, claims or general administration questions. They are available to the benefits administrator, the HR department, city officials and individual employees for any questions or concerns that arise. It is the account managers' responsibility to contact the carriers on behalf of their clients and to investigate any and all answers and possibilities. They are also available to provide assistance in using any carrier's online eligibility and billing systems. The Drury Group can also provide consolidated billing services to ease the procedure of bill pay for our clients.**

8. Indicate your firm's capabilities and resources concerning communication to include ongoing employee communication, open enrollment and online enrollment services. Be sure to include information regarding on-line services, and any additional costs associated with various offerings.

**The Drury Group is pleased to offer a variety of communication resources. We are comfortable doing one-on-one education and enrollment if that is desired. We can offer implementation of online portals where communication is pushed to each individual employee. We can employ an online enrollment system that ties into a benefits and/or HR database that streamlines employee benefits from enrollment to payroll to bill pay.**

**Open Enrollment includes creation of enrollment handbook of information for employees about all benefits available. This handbook will serve as a guide to all aspects of the open enrollment process including benefit plan designs, pre-approved communication pieces, method and delivery dates for communication pieces to workforce, and timeline of all activities relative to open enrollment.**

**The Drury Group will conduct training for all HR/Benefits staff prior to open enrollment. These training sessions may be held at the individual locations or as a group at a single location-, whichever method is preferred. The Open Enrollment guide will be reviewed and delivered at this time -with sufficient time for a Q & A session. This training is crucial in ensuring a smooth and successful open enrollment. The Drury Group contact information will be distributed and HR/Benefits personnel will be encouraged to contact us with ongoing questions relative to Open Enrollment or other benefit related issues.**

Onsite enrollment counselors can conduct group and individual enrollment meetings during the open enrollment period for the purpose of answering questions and assisting in the enrollment process. All of Drury Group enrollment counselors are licensed in the State of Tennessee and are covered by Errors and Omissions Insurance. Bilingual counselors will be provided as needed.

The Drury Group will work with their client to determine the various communication pieces desired and the mechanism for delivery to employees. Various types of pre-enrollment communication include:

- Benefit Guide in paper and/or online format
- Webinars/Webcast
- Vine, Vimeo or YouTube presentations
- E-blasts
- Updates and announcements in newsletter
- Posters

Benefit Statements are customized for each individual employee and may include any information deemed appropriate by City of Spring Hill (salary, vacation, benefits, sick leave, etc.)

The Drury Group can provide HR resources that are relevant to our clients' needs. Through our association with Arahant we can implement a web based HR software system. This software is available at "no cost" – however there is a cost for any additional customization of the software. Features include:

- Demographic and EEO data such as name, address, DOB, SSN, etc.
- Wage, position, with history
- Status history (hire, LOA, term, part time, re-hire, etc.)
- Time-off accrual and history
- Online employee evaluations by supervisor & employee self-evaluation
- Check lists -provide status specific list of tasks when employee status change occurs
- Events -record positive and negative employee events and when they occurred
- Notes. Record answers to company standard employee questions
- Scanned documents -scan in any documents and associate them with an employee
- Dependent information
- Employee and dependent benefits
- Training history and expiration dates

Other Human Resources Services offered through The Drury Group at no additional cost are available with Barbara Stewart of Shaping HR, LLC. This is an HR consulting firm located in Franklin, TN. Through our association with Barbara we offer a broad range of services targeted at assisting organizations with compliance and regulatory issues, as well as customized, cost-effective HR solutions. Our clients have access to a "HR Help Desk" via our

website, as well as quarterly Lunch & Learns on timely, relevant HR topics. HR Services offered via Help Desk include:

- HR Resources
- Consultation on employee and compliance issues
- Sample HR documents, checklists and forms
- Guidance on HR trends and best practices
- Sample job descriptions
- Employer Liability Management
- Checklists for HR audits
- Sample policies and procedures
- Employee handbook and policy review
- Termination and exit interview documents
- Management Support
- Employee relations/counseling
- Employee communications
- Employment Administration
- New hire documents, checklists and forms
- Guidance on I-9 process and procedures
- Performance Management
- Sample appraisal forms
- Sample forms on performance counseling/documentation

Human Resource Consulting Services available include:

- HR Audits
- Employee Handbooks and Policy Manuals
- I-9 Training
- Anti-Harassment and Diversity training
- Interviewing skills training
- Supervisory/leadership skills training (on-line and in-classroom)
- Recruitment, interviewing, and reference checking

9. Describe the type (i.e. face to face, conference calls, email only, etc) and frequency (daily, monthly, etc) of communication that will be made available for city officials and employees. Again, please describe in detail your on-line capabilities and services.

**We offer email communication pieces as well as payroll inserts. We are available to meet face-to-face, conference call or email daily. We can use an Emma e-blast database to send information to employees and city officials. We are also available to speak to each and every employee or individual by phone or face-to-face if desired.**

Through companies with which we partner, we offer an online enrollment system that can be customized to our clients' benefit utilization at NO cost to the client. This can be self- directed, web-based, or face-to-face meetings with enrollment counselors that complete data entry. We also partner with certain insurance carriers that can provide their own online enrollment system at NO cost to the client. There are many possibilities within online enrollment systems regarding HIPPA secure file transfer feeds capabilities that minimize the data entry with most carriers and payroll systems.

10. Describe the support you provide for the development and enhancement of employee wellness programs, and include any costs associated with such.

**The Drury Group will review current wellness program and assist in the development of a long term strategy and communication campaign to promote wellness with measurable results.**

**Key components to a successful, measureable wellness program include:**

- **Establish a planning committee – typically comprised of health-conscious employees from various departments.**
- **Assess the interests and needs of leaders and employees**
- **Develop a mission statement, determine goals and objectives, and design the program**
- **Recruit partners from in and around the community (insurance carriers, healthcare providers, local businesses, etc.)**
- **Develop a timeline and budget**
- **Select incentives**
- **Acquire programmatic and/or Human Resource support**
- **Market the program**
- **Implement the program**
- **Measure the success of the program**

**A brief history of The Drury Group's past and current work with The City of Spring Hill:**

- **Maintained consistent plan designs for over three years to decrease confusion and optimize benefit utilization for employees**
- **Medical renewal costs (national average of 12% increase annually; dropped to 8% annual in 2013; current trend is 1.5% increase per month)**
  - **2010 – negotiated from 8% increase down to 1%**
  - **2011 – negotiated from 5.6% increase down to 0%**
  - **2012 – negotiated from 10% increase down to 5%**
  - **2013 – negotiated from 9.5% down to 6.71%, however decision was made to move to CIGNA at -1.90%. Drury Group facilitated a significant change with minimal impact that should result in opportunities to save based upon participation in claims and tax savings from PPACA.**

- **Dental renewal costs and LTD implementation**
  - Through renewal process of requesting quotes from various carriers, costs of the dental were reduced by 29% in 2011
  - With this dental savings from 2011, the City of Spring Hill was able to purchase a Long Term Disability plan for their employees for the first time
  - In 2012, rates increased by 18% due to large amounts of claims but Drury Group was able to negotiate with BlueCross BlueShield to take over the dental plan at current rates, thereby avoiding an increase
- **Implemented a wellness program, a wellness committee and provides a Drury Group representative for committee meetings, lunch & learns, annual wellness fair and other events**
- **The Drury Group has frequently contributed funds, food and other resources to wellness initiatives for the City of Spring Hill**
- **The Drury Group provides an FSA (Flexible Spending Account) program and covers the cost of the program on behalf of the City of Spring Hill**
- **Roxanne Sanders, the Senior Account Manager at the Drury Group, is the City of Spring Hill's dedicated account manager and assists with all eligibility, claim and billing issues by working closely with Melissa Beard and Shelley Taylor**
- **Any Drury Group representative can travel to City Hall or any department location within 20 minutes in case of any need for face-to-face communication with any City of Spring Hill employee, department head, or city official**

## **5. GENERAL INFORMATION**

The City of Spring Hill will not discriminate in the purchase of goods and services on the basis of race, color, creed, sex, handicap, or national origin. Verbal quotations or quotations received after the closing date will not be accepted. The City of Spring Hill reserves the right to reject any and all bids, to waive technicalities or informalities and to accept any bid deemed to be in the best interest of the City of Spring Hill. However, failure to meet specifications as outlined, or failure to provide any of the information requested or addressed in this RFQ in a manner which permits thorough assessment may be grounds for rejection. The City reserves the right to reject individually or collectively all respondents and accept responses in full or in part.

All service contracts shall comply with applicable Federal, State and Local statutes, rules and regulations. The successful Respondent shall not assign, transfer, convey, sublet or otherwise dispose of any award

or any or all of its rights, title or interest therein, without prior written consent from the City. Such consent by the City shall not relieve the assignor of liability in the event of default by the assignee. Respondents shall indemnify, hold harmless, and exempt the City, its officers, agents, servants, and employees from and against any and all such suits, actions, legal proceedings, claims, demands, damages, costs, expenses, attorney fees and any and all other costs or fees incident to any work done as a result of the request for proposal and arising out of a willful or negligent act or omission of the successful Respondent, its officers, agents, servants and employees.

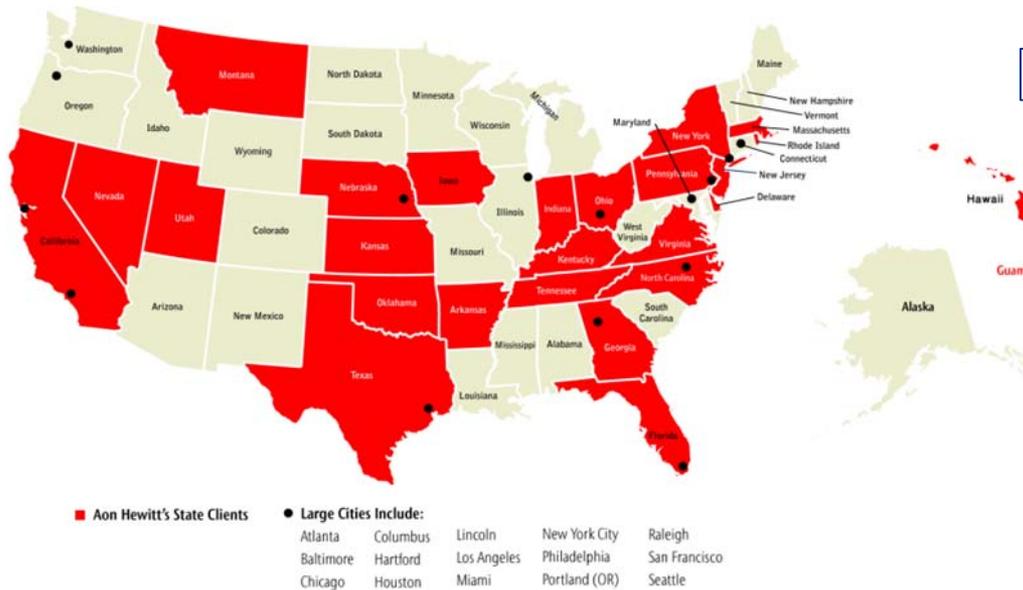
## **6. SUBMITTAL PROCEDURE AND ADDRESS**

Two copies of each RFQ Response should be labeled, "City of Spring Hill Insurance Broker Services RFQ" and submitted to:

Shelley Taylor  
Director of Human Resources  
City of Spring Hill  
199 Town Center Parkway  
P.O. Box 789  
Spring Hill, TN 37174

All materials should arrive at the above address no later than 3:00 p.m. Central Time on December 12, 2013. Any questions regarding the RFQ requirements or processes may be directed to Mrs. Taylor at (931)486-2252 or [staylor@springhilltn.org](mailto:staylor@springhilltn.org).

# AON KNOWS PUBLIC ENTITIES



## TRANSPARENCY

- Disclosures of quotes & declinations
- Disclosures of commissions and/or fees
- Disclosure of carriers
- Financial Carrier Ratings provided
- Comprehensive Disclosure Statement (CDS)



# HELP YOU COMMUNICATE EFFECTIVELY

**BENEFITS HUMAN RESOURCES WELLNESS MY INFO**

**MyAonAssist.com**

Home Benefits Human Resources Health & Wellness My Info

May 15th, 2007

Welcome Krista Cleer,  
In benefits, your personal portal brought to you by Kuberant Inc. and Coton States Insurance, you can manage your benefits, health and wellness and much more. Additionally, you will find the most important benefits and give you a carefully selected list of optional benefits so you can ask what's right for you.

**I'm Here To...**

- Get A Form
- Check My Accounts
- Report A Life Event
- Make A BENEFITS DECISION
- Review A HEALTH TOPIC
- Find A Doctor
- Review Plan Costs
- Watch Videos About My Benefits

**Benefits** - Find answers to important questions, plus forms and resources for you and your family.  
**Human Resources** - Read company policies and procedures, get HR contacts and links.  
**Health & Wellness** - Explore the vast knowledgebase of health and medical information.  
**My Info** - See what a personalized portal can do for you.

**My Info** - Your secure location for personal info  
It's easy to create a personal portal; see what it can do for you. Start today!

**Substant News**  
06/10/2007 PSA Claims extension Good ...  
06/11/2007 Real Value Right Now!  
02/24/2007 Welcome to Kuberant Carem...

**Attention Kuberant Employees**  
100 Days to Enroll!  
ready:enroll

**Health Savings Account**  
Two Plans Work Together  
• Health Savings  
• High Deductible  
• Employee and contribute

**Retina**  
**Macular degeneration**  
**Choroid**

**Aerobic exercise**  
Aerobic exercise builds endurance by keeping the heart pumping for an extended period of time.

## COMPETITIVE PREMIUMS

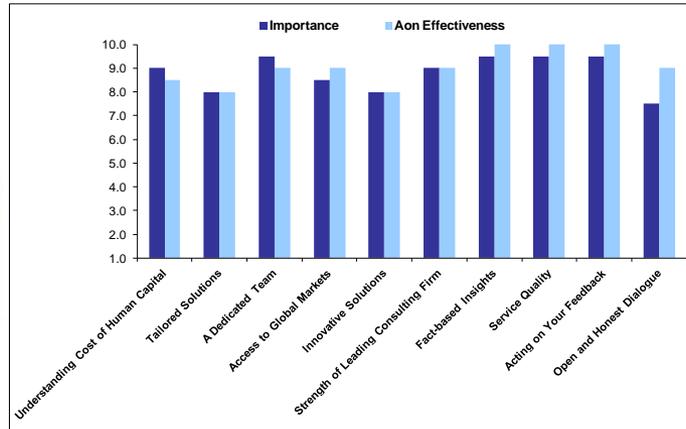
**GREATER INSIGHT**

**Benefit SpecSelect™**





## SERVICE PROCESS



- Your open and honest feedback reviewing our performance for the prior plan year
- Review of your feedback report in year end meeting
- Results guide account servicing plan for next year



### Health Care Reform Chronology

2010	2011	2012	2013	2014	2015	2016	2017	2018
<b>SEARCH</b> <ul style="list-style-type: none"> <li>• Effective 01/01/10, 2010 ACA provisions</li> <li>• Implementation of the ACA provisions</li> </ul> <b>NOTE</b> <ul style="list-style-type: none"> <li>• Health Insurance coverage of dependent children for children under 18 (ACA)</li> <li>• Health Insurance coverage of dependent children for children under 26 (ACA)</li> <li>• Health Insurance coverage of dependent children for children under 26 (ACA)</li> <li>• Health Insurance coverage of dependent children for children under 26 (ACA)</li> </ul> <b>UPDATE</b> <ul style="list-style-type: none"> <li>• ACA provisions effective 01/01/10</li> <li>• ACA provisions effective 01/01/10</li> </ul>	<b>MARKET CHANGES</b> <ul style="list-style-type: none"> <li>• ACA provisions effective 01/01/11</li> <li>• ACA provisions effective 01/01/11</li> </ul>	<b>MARKET CHANGES</b> <ul style="list-style-type: none"> <li>• ACA provisions effective 01/01/12</li> <li>• ACA provisions effective 01/01/12</li> </ul>	<b>MARKET CHANGES</b> <ul style="list-style-type: none"> <li>• ACA provisions effective 01/01/13</li> <li>• ACA provisions effective 01/01/13</li> </ul>	<b>MARKET CHANGES</b> <ul style="list-style-type: none"> <li>• ACA provisions effective 01/01/14</li> <li>• ACA provisions effective 01/01/14</li> </ul>	<b>MARKET CHANGES</b> <ul style="list-style-type: none"> <li>• ACA provisions effective 01/01/15</li> <li>• ACA provisions effective 01/01/15</li> </ul>	<b>MARKET CHANGES</b> <ul style="list-style-type: none"> <li>• ACA provisions effective 01/01/16</li> <li>• ACA provisions effective 01/01/16</li> </ul>	<b>MARKET CHANGES</b> <ul style="list-style-type: none"> <li>• ACA provisions effective 01/01/17</li> <li>• ACA provisions effective 01/01/17</li> </ul>	<b>MARKET CHANGES</b> <ul style="list-style-type: none"> <li>• ACA provisions effective 01/01/18</li> <li>• ACA provisions effective 01/01/18</li> </ul>





December 11, 2013

Shelley Taylor  
Director of Human Resources  
City of Spring Hill  
199 Town Center Parkway  
P. O. Box 789  
Spring Hill, TN 37174

Re: City of Spring Hill Insurance Broker Services RFQ

Dear Ms. Taylor,

On behalf of Aon and my colleagues, we are pleased to submit the attached response to the Request for Qualifications, Insurance Brokerage/Consulting Services.

We have made every effort to present our qualifications and approach to the work desired by the City of Spring Hill in a straightforward, clear and concise manner. We view this proposal process to be a highly interactive one. Should you find that the scope of our services is either greater or less than anticipated, we would be glad to discuss and possibly modify our proposal accordingly.

We believe that Aon is the best-positioned service provider to offer the City of Spring Hill the required level and quality of services you seek. We embrace a distinctive service delivery philosophy, guided by Aon's Client Promise that we have detailed for you in our response.

We believe no one will have a better understanding of your plans and procedures, a more efficient service configuration and utilization of technology, or a greater sensitivity to your objectives than Aon. We would be honored to service the City of Spring Hill as your consultant and are willing to enter into a written agreement with the City and commit to perform all work as specified in the RFQ in a thorough, professional and timely manner.

We look forward to your response and the opportunity to begin a productive and successful relationship.

Sincerely,

Sincerely,

Rick Rothman  
Senior Vice President  
Aon Risk Services South, Inc.  
615-771-8130

Nancy Brown  
Vice President  
Aon Risk Services South, Inc.  
615-771-8140

**Aon Risk Solutions/Aon Risk Services South, Inc.**  
Employee Benefits Consulting Group

# Response to Request for Qualifications

*City of Spring Hill*

*December 12, 2013*

City of Spring Hill Insurance Broker Services RFQ



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## About Aon

*Provide a description of the brokerage firm, including a brief history, size, number/location of offices and other pertinent information. Describe your organizational structure, including an overall history description of your firm.*

### *Aon Corporation*

With roots that date back to 1899, Aon Corporation has grown from an insurance partnership into the leading global provider of risk management services, insurance and reinsurance brokerage, and human capital consulting. Recognizing specific client needs for advisory services in the human resource and benefits area, Aon Corporation began to offer human resources related consulting services in 1934. Aon has more than 300 offices located in 90 countries. For a full global office listing, please visit our website at <http://www.aon.com/site/aonworldwide.jsp>.

For 40 years, Aon has been supporting client goals through consulting and brokerage services; throughout this long history, Aon has worked closely with a wide variety of public and government entities to provide annual reviews and analysis for benefit plans and programs as well as to provide solicitation and placement/renewal services for public insurance and benefit plans.

### *Aon Health and Benefits*

Aon delivers integrated consulting solutions to help clients with employee benefits, human resources outsourcing, compensation, communication and management consulting through the over 6,300 Aon Human Capital Consulting colleagues worldwide. Aon provides specialized services for various industry sectors, including hospitality, healthcare, technology, pharmaceuticals, retail, manufacturing, financial services and public sector. Our services help companies of all sizes to attract and retain top talent and improve performance.

As a full service human capital consulting firm, Aon pools the best thinking and most advanced technology from multiple disciplines through one local point of contact to deliver creative, customized solutions seamlessly, anywhere in the world. Effective October 1, 2010, Aon completed its acquisition of Hewitt & Associates. Should the City choose Aon as its broker, we would bring the distinctive, best-in-class services that our clients have grown accustomed to. By uniting Hewitt with Aon we are able to provide our clients with unmatched capabilities, industry-leading teams, and a global reach that is unsurpassed by any other firm.



## Aon Corporate Structure



### Aon Risk Solutions

- Health & Benefits
- Casualty
- Director's & Officers's Liability
- Enterprise Risk Management
- Environmental Risk Management
- Errors & Omissions
- Kidnap & Ransom Insurance
- Mergers & Acquisitions
- Political Risk Management
- Property Risk Management
- Terrorism Risk Management



### Aon Hewitt

- Benefits Administration
- Retirement
- Investment Consulting
- Compensation
- Talent and Organization
- Employee Communication
- Mergers & Acquisitions Solutions
- HR Business Process Outsourcing



### Aon Benfield

- Reinsurance Analytics
- Reinsurance Claims, Contract Wording & Client Services
- Facultative Reinsurance
- Investment Banking Group
- Treaty Reinsurance
- Client Portals

With Aon, the City of Spring Hill gets the best of both worlds as we are a brokerage and consulting firm. We bring all of Aon's resources to support our local service for the City.

## The Aon Hewitt Difference





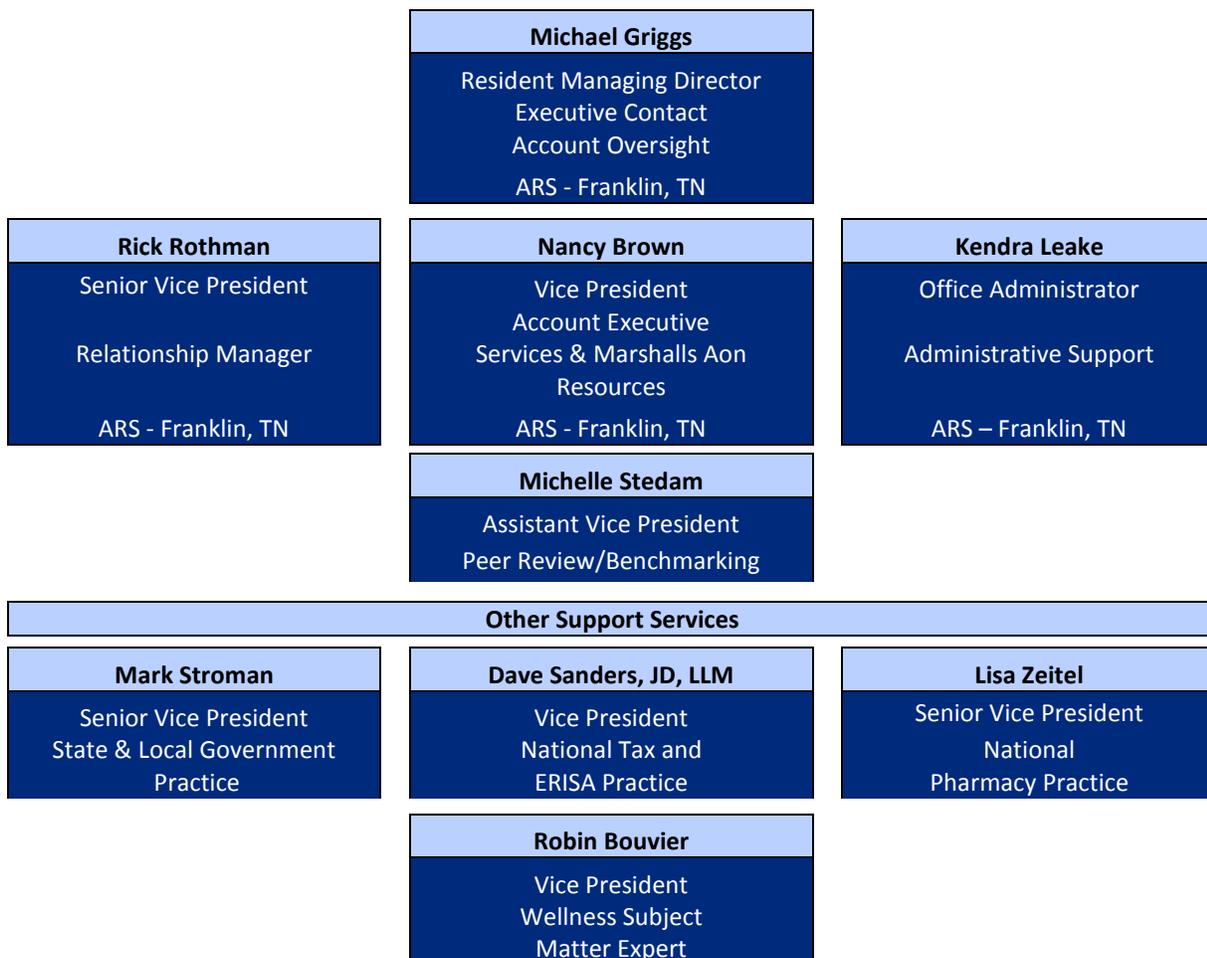
See Appendix A for a map of our Health & Benefit office locations.

*Aon Risk Services South, Inc. – Franklin, TN*

The local Aon office supports both Health & Benefits consulting services and Risk consulting services. Our Health & Benefits practice has been servicing clients for more than 35 years. While Aon Franklin has had a Health & Benefits practice since the 1970s, we acquired Alexander and Alexander in the 1990s. No other acquisitions have taken place locally.

*Please provide the name(s) of the person(s) assigned to perform the work for the City of Spring Hill and a brief bio for each one.*

The Aon team assigned to your account is shown in the graphic below. The biographies for the account team are found in Appendix B.





*Indicate how long your company has been providing employee insurance benefit services.*

Recognizing specific client needs for advisory services in the human resource and benefits area, Aon Corporation began to offer human resources related consulting services in 1934. Our local Franklin office has been providing Health and Benefit services to client for more than 35 years.

*Provide the number of clients you currently service in the public sector and the number of public sector clients you have served in the last three years and the contact information of at least three of these.*

Aon provides a multitude of services to many public sector and governmental clients. The chart below is a sampling of many of our clients.

- Anne Arundel County, MD
- Anne Arundel County Schools, MD
- Apple Valley Unified School District, CA
- Arlington County, VA
- Athens-Clark County Unified Government, GA
- Atlanta Public Schools, GA
- Baltimore Public Schools
- Boulder County, CO
- City of Alexandria, VA
- City of Anaheim, CA
- City of Atlanta, GA
- City of Baltimore, MD
- City of Bellevue, WA
- City of Berkley, CA
- City of Boca Raton, FL
- City of Bridgeport, CT
- City of Cedar Rapids, IA
- City of Chicago, IL
- City of Cincinnati, OH
- City of Clearwater, FL
- City of Columbus, OH
- City of Coral Gables, FL
- City of Coral Springs, FL
- City of Dallas, TX
- City of Easthampton, MA
- City of Ft. Lauderdale, FL
- City of Ft. Worth, TX
- City of Green Bay, WI
- City of Greensboro, NC
- City of Hartford, CT
- City of Hialeah, FL
- City of High Point, NC
- City of Nashua, NH
- City of New Orleans, LA
- City of Newark, NJ
- City of New York, NY
- City of North Charleston, SC
- City of Orlando, FL
- City of Panama City, FL
- City of Philadelphia, PA
- City of Pittsburgh, PA
- City of Raleigh, NC
- City of San Francisco, CA
- City of Tampa, FL
- City of Winston-Salem, NC
- Clark County School District, Las Vegas, NV
- Clay County School District, FL
- Commonwealth of Kentucky
- Commonwealth of Pennsylvania
- Commonwealth of Virginia
- County of Volusia, FL
- County of Mecklenburg, NC
- District of Columbia
- Essex County, NJ
- Frederick County Public Schools, MD
- Gwinnett County, GA
- Hillsborough County, Florida
- Hillsborough County Public Schools, FL
- Hillsborough County Sheriff's Office, FL
- City of San Francisco, CA
- City of Santa Monica, CA
- City of Scottsdale, AZ
- Los Angeles World Airports, CA
- Loudoun County School Board, VA
- Miami-Dade County, FL
- Metropolitan Transit Authority
- Montgomery County Community College, MD
- Muscatine Community School District, IA
- New Castle County, DE
- New Jersey Dept of Health
- New York Department of Health
- NC Teachers' and State Emp. Comp. MM Plan
- Ohio Association of Health Plans
- San Francisco Unified School District, CA
- Sarasota County Public Schools, FL
- Shelby County, TN
- State of California
- State of Florida
- State of Georgia
- State of Hawaii
- State of Kansas
- State of Montana
- State of Nebraska
- State of Nevada
- State of New Jersey
- State of Oklahoma
- State of Ohio
- State of Tennessee
- Prince George's County, MD
- Orange County, FL
- Pinellas County School District, FL



- City of Hobbs, NM
- City of Hollywood, FL
- City of Houston, TX
- City of Indian Rocks Beach, FL
- City of Ketchikan, AK
- City of Las Vegas, NV
- City of Lawton, OK
- City of Little Rock, AK
- City of Los Angeles, CA
- City of Miami, FL
- City of Naples, FL
- City of Seattle, WA
- City of Shreveport, LA
- City of Spartanburg, SC
- Housing Authority of Baltimore City
- Jefferson County, CO
- Lake County, FL
- Lee County, FL
- Los Angeles Co. Metro Trans. Auth., CA
- Los Angeles Dept. Of Water and Power, CA
- Prince George's Community College, MD
- Prince George's County Public Schools, MD
- Prince William County, VA
- Sussex County, DE
- Triton Regional School District, MA
- University of California
- University of Illinois Urbana-Champaign
- University of Louisville
- Volusia County, FL
- Volusia County Schools, FL

Additionally, the local office currently works with two public sector/governmental clients and their contact information is below. Additionally, Aon has been doing actuarial work for the State of TN for many years.

**Martha Gregory**

Director of Administration  
Metropolitan Development and Housing Agency  
701 South Sixth Street  
Nashville, TN  
Phone: 615-252-8511  
Length of time with Aon: 8 years

**Kaye Palmer**

HR Manager  
City of Hendersonville  
101 Maple Drive North  
Hendersonville, TN 37075  
Phone: 615-264-5314  
Length of time with Aon: more than 10 years

**Kendra Gipson**

Benefits Administration  
State of TN  
Suite 2600 WRS Tennessee Tower  
312 Rosa L. Parks Ave.  
Nashville, TN 37243  
Phone: 615- 253-8574  
Length of time with Aon: Actuarial Work for approximately 5 years



**Confirm that you are a licensed broker in TN. Describe the firm's Errors and Omissions (E&O) limits and provide evidence that all applicable insurance coverage and licenses are currently carried.**

Both Aon and its representatives are licensed in the State of TN. Additionally, our firm provides Errors and Omissions on its representatives. Aon's standard E&O policy limit is \$1,000,000. If higher limits are required, please let us know. Licenses and the E&O certificate may be found in Appendix C.

**List the types of compensation you receive:**

- a. Fee for service**
- b. Commissions**
- c. Bonuses (list types)**
- d. Non-cash incentives (i.e. incentive trips)**
- e. Other**

Serving our clients in a transparent manner has been a longstanding practice at Aon. We have spent many years working to build a strong reputation based on two of our core values: client focus and integrity. Even the appearance of a conflict of interest is unacceptable.

AON'S MANDATED DISCLOSURE TO CLIENTS REGARDING COMPENSATION IS AS FOLLOWS: In connection with placing, renewing, consulting on or servicing any insurance policy, prior to binding, Aon shall disclose to each client in writing: all quotes and indications sought and all quotes and indications received by Aon in connection with the coverage of the client's risk with all terms, including but not limited to any Aon interest in or contractual agreements with any of the prospective insurers; and all compensation to be received by Aon for each quote, in dollars if known at that time or as a percent of premium if the dollar amount is not known at that time, from any insurer or third party in connection with the placement, renewal, consultation on or servicing of insurance for that client.

Aon's policies on these issues are summarized below:

- Everything that transpires between Aon and City of Spring Hill is completely transparent.
- Aon preferred model is fee-for-service.
- Commissions will only be accepted upon the City of Spring Hill's consent.
- The City of Spring Hill will be made aware of all commissions paid to Aon.
- Proceeds from commissions related to each client are used to offset fees for Aon's services for that client.
- Aon does not have written agreements with vendors calling for the payment of overrides.
- Aon does not accept override payments from vendors. Any checks received from vendors will be returned.
- Aon has a formal policy on the process for communicating and receiving commissions.

In the third quarter of 2010, Aon announced that we will begin working with carriers to evaluate and align around various alternative forms of remuneration available to our firm, which may include supplemental or



contingent commissions in geographic and client segments where appropriate. We currently have a limited number of contingent commission arrangements in place. To date, Aon has executed contingent commission contracts with markets whose premium represents less than 1 percent of all gross premiums placed by Aon in the United States. Any income received in the future from a supplemental or contingent commission arrangement related to the City's account will be completely and transparently disclosed. Aon's fees for any additional work outside our standard scope of services would be determined after further consultation with the City regarding the specific service desired.

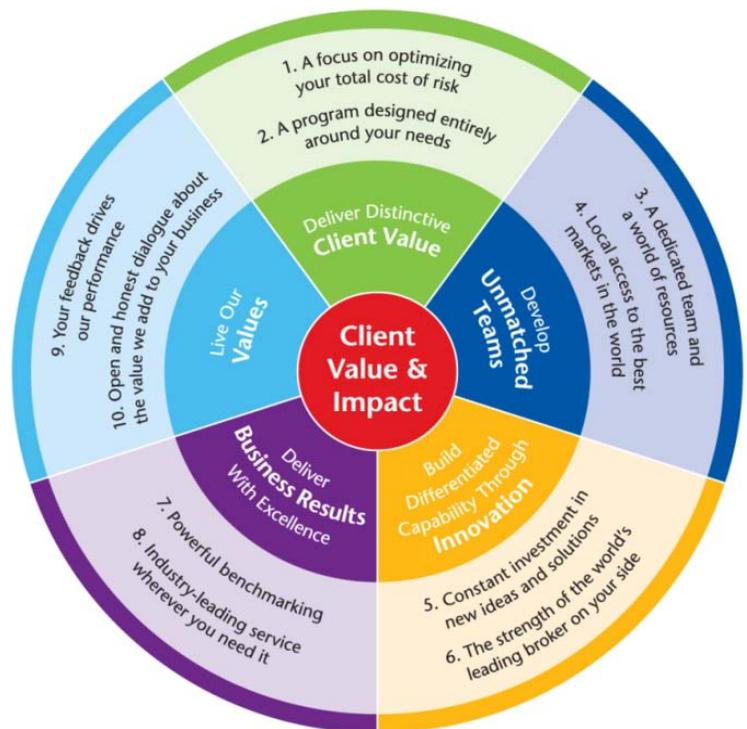
Disclosures to clients happen **annually** through our Comprehensive Disclosure Statement (CDS) process and is required for all fee, commission, or a combination thereof clients. A sample of the CDS document is found in Appendix D.

*Describe the overall administration services that are provided for benefits, billing, claim research and administrative training/consultation.*

### Ensuring Client Satisfaction

Aon aims to be the most responsive, client-focused risk solutions and human capital consulting company in the world. Our philosophy is to develop solutions for our clients that support business results. Everything we do at Aon is focused on creating distinctive value for you, based on a deep understanding of your business issues, insightful analysis, and powerful execution.

To ensure our clients complete satisfaction with our quality and services, we implemented a worldwide client service model called the Aon Client Promise<sup>®</sup>. The Aon Client Promise<sup>®</sup> is our globally consistent value and service delivery methodology that ensures every client receives the best services in the industry regardless of their geography, industry, or market segment. In addition, the Aon Client Promise<sup>®</sup> is an articulation of Aon's unique value proposition for clients and helps to create a common language among our colleagues to describe why Aon is different, and what clients can expect when working with Aon.





Key elements include the following:

- Global, uniform approach
- Full transparency in how we create and deliver value to clients
- Personalized client promise plans based on clients needs and priorities
- Accountability through client promise survey, client impact reviews, and measurable scorecard

We believe that a consultant should operate as an extension of your own staff, identifying your needs and objectives and finding creative and useful ways to meet those goals. Every colleague in our organization is responsible for quality. Our quality program, subsequent measures, and continuous improvement process are all directly linked to employee performance, growth, and development. In addition, Aon has invested heavily in our annual survey and service model to validate that our consultants are meeting expectations, goals, and service quality levels set by our clients.



## Services & Capabilities

### Health and Benefit Program Analysis Process

Aon envisions a collaborative partnership where the City shares its culture and challenges while Aon provides the strategic and tactical consulting you need to ensure your benefit programs support your business goals. Our depth and breadth in consulting services, experiences with other clients and efficiencies in managing client relationships are critical ingredients to realizing your objectives.

Based on our experience with similar clients and the needs you have outlined in your RFP, we have developed a comprehensive consulting solution that includes the services listed below, with varying levels of engagement based on scope.



Let's dive into each step in more detail to illustrate how we would review the City's current program and understand your objectives.

### Step 1: Conduct Program Assessment and Benchmarking

#### Key Points

- Review and benchmark current health & benefits plans
- Assess paths of Health Care Reform readiness
- Evaluate and benchmark employee contributions



- Conduct Health Management assessment
- Assess and analyze claim data
- Evaluate HR regulatory compliance issues
- Evaluate and benchmark executive benefit programs
- Evaluate and benchmark elective benefit programs
- Survey employee needs

#### Client Outcomes

##### Identification of:

- Plan costs
- Health Care Reform readiness and impact
- Plan design competitiveness
- Compliance issues
- Benefit liabilities
- Employee feedback

## Step 2: Develop a Strategic Business Plan

### Key Points

---

- Gain understanding of your organization & business
- Review corporate benefit philosophy
- Integrate Health Care Reform into business plan
- Conduct pre-renewal meeting (current cost projections)
- Provide financial impact of Health Care Reform
- Discuss employee communications
- Set up compliance calendar
- Evaluate and benchmark elective benefit programs
- Prepare timeline for execution of strategic plan



#### Client Outcomes

Defines:

- Client's benefit philosophy
- Common understanding of client expectations
- Impact of Health Care Reform to the business
- Plan's cost projections
- Financial impact of making plan changes
- Timelines to execute plan

### Step 3: Execute Strategic Solutions

#### Key Points

---

- Market your plan using Aon Hewitt proprietary tools
- Analyze and negotiate benefit renewals
- Conduct renewal and marketing results meeting
- Institute performance guarantees on new/existing vendor relationship
- Develop employee communications programs
- Develop on-line employee benefit website
- Implement programs

#### Client Outcomes

Delivers:

- Optimum market-based solutions & plan pricing
- Plan is set up in accordance with client specifications
- User friendly benefits information for employees
- Appropriate time to communicate plan decisions

### Step 4: Evaluate Program Performance

#### Key Points

---

- Monitor financial performance of plans
- Perform claim data analysis
- Monitor critical milestones



- Monitor performance guarantees
- Establish service calendar for next plan year
- Adhere to transparency and compliance requirements
- Monitor progression to client's Health Care Reform plan
- Prepare stewardship report and conduct stewardship meeting

#### Client Outcomes

##### Assures:

- Plan provisions are being met
- Adherence to performance metrics
- Mutual understanding of client expectations
- Deadlines for next plan year are defined
- Full disclosure of our services and compensation
- Health Care Reform compliance

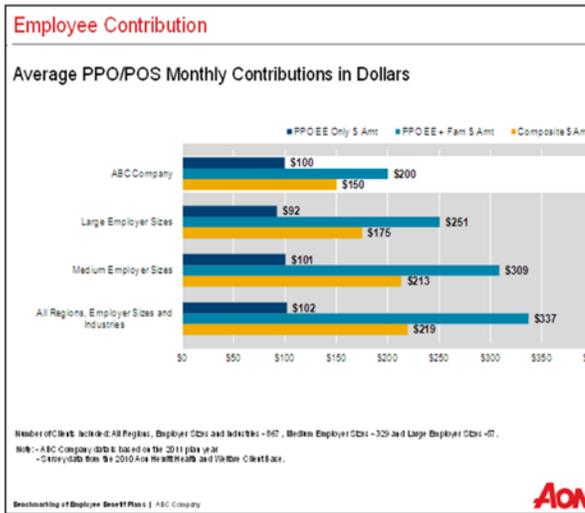
#### Benchmarking

We will use Aon's extensive and industry-leading surveys and benchmarking tools to assist with the development of a competitive multiyear strategy and plan design. We will help analyze the competitiveness of the City of Spring Hill's current plans and identify areas for improved cost and purchasing efficiencies. This information will provide a quantitative basis for your decision-making process as we evaluate potential changes to the current program.

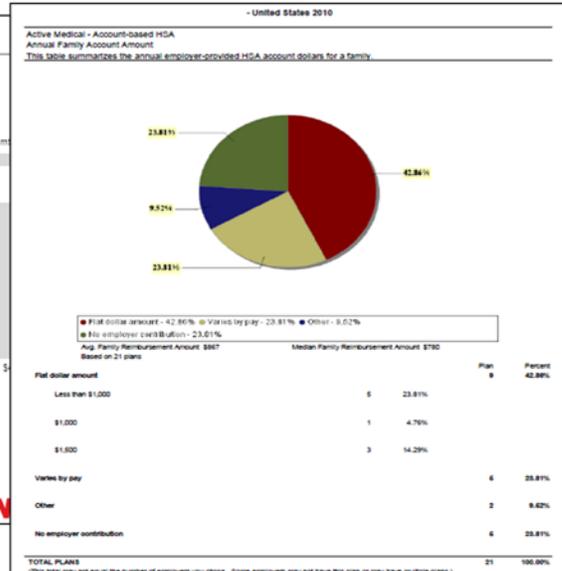
Aon will use our Greater Insight and Benefit SpecSelect™ databases to conduct a review of the City's detailed benefit design features against comparator companies that you select. Our design database is the most comprehensive and current employee benefits database in the industry. It provides an exclusive look at the current benefit programs of thousands of major U.S. employers. Benefits covered include defined benefit, defined contribution, health care, life, disability, and time-off plans, as well as eligibility, waiting periods, employee contribution levels, and other relevant information.



### Sample Greater Insight



### Sample Benefit SpecSelect™



### Aon Compliance Dashboard

Aon Compliance Dashboard is Web-based technology provides the compliance information you need as well as guidance on how to execute it. Federal laws for health and welfare plans are aggregated into one easy-to-navigate website. You are notified of what you need to do and the timing in which it needs to be executed. All relevant information and materials are provided to complete the compliance task. Compliance Dashboard solves the four most common compliance issues:

- **Where to find the needed information**
  - Web-based repository for defined contribution and health & welfare benefit compliance information
  - Browse through a variety of topics or conduct a topical search to find the needed information
  - Up to date, easy to understand material
  - Model Notices available in Word format
- **What to do with the information once it is obtained**
  - Email alerts notify users when a compliance task is due
  - Calendar view summaries timing of compliance events throughout the year

Benefit Admin	Dist Date	Due Date	Page Viewed	Response Required	Status
Cindy Conner	02/21/2008	02/22/2008	Yes	Yes	<span style="color: red;">❗</span> Past Due
Jim Towers	02/21/2008	02/22/2008	Yes	Yes	<span style="color: green;">✔</span> OK
Mark Daniels	02/21/2008	02/22/2008	Yes	Yes	<span style="color: red;">❗</span> Past Due
Mary O'Conner	02/21/2008	02/22/2008	Yes	Yes	<span style="color: green;">✔</span> OK
Nancy Powell	02/21/2008	02/22/2008	Yes	Yes	<span style="color: green;">✔</span> OK



- **Making sure the compliance tasks are completed**
  - Automatically monitors and tracks the status of all compliance activities
- **How to document compliance efforts**
  - Reporting feature allows easy access to year-to-date compliance activities in Excel format for audit and tracking purposes.

## Health Care Reform

Aon is a leader actively involved in both local and national politics to discuss the pressing issues associated with health care reform. We believe it is helpful for each client to have regular access to the best information from Washington as soon as it is available. We will provide a number of routine communications to the City of Spring Hill. We will also call or email you with any items that may require immediate attention or be of critical interest. This process is ongoing and initiated by Aon throughout our relationship.

Our health and benefits consultants, actuaries, legal team, and researchers work together closely to draft clear and concise communication on the interpretations of legislative and regulatory changes. We supplement this information with client specific analysis of financial implications. In addition, our firm wide integration teams provide thought leadership and generate new ideas to share with consultants, clients, and when appropriate, to Congress.

Aon's Health Care Reform website houses several timely resources and Aon's thought leadership on health care reform. In addition to the information found on this website, Aon conducts regular webinars on the topic. Recordings of past webinars can be found on the site at: [www.aon.com/healthcarereform](http://www.aon.com/healthcarereform).

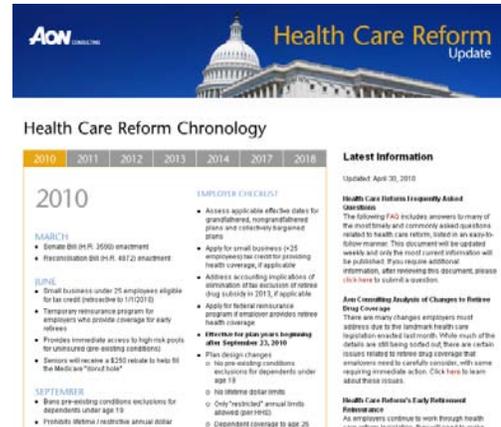
## Communicating Regulatory Changes to Assist with Compliance

Our legal staff consists of nearly a dozen attorneys that work closely with federal, state, and local governments to keep abreast of legislative and regulatory developments. These attorneys are well versed in all aspects of compliance, including ERISA, and are available to consult with our clients as needed. Aon is a consulting firm, however, and we cannot practice law. We suggest you have any legal documents reviewed by your legal counsel.

At Aon we provide you with the needed tools to keep your plan compliant. Our focus is on educating the City through the Aon Bulletins or Knowledge Alerts such as our Washington Reports, Aon's Health Care Reform website, providing you with access to Compliance Dashboard, and conducting client webinars when legal and regulatory developments impact a significant number of our clients.

## Additional Communications

Aon hosts and produces a variety of client resources that provide our clients with the information that they need to make sound benefits decisions. Aon disseminates information through a variety of avenues. The





City of Spring Hill will receive communication from the Aon team regarding recent benefit events, information and developments. Additionally, all Aon clients are subscribed to email alerts with new publications and thought leadership as information is available throughout the year.

Aon's entire library of publications and thought leadership can be found at: <http://www.aon.com/thought-leadership/thought-leadership.jsp>. Additionally, samples of recent health and welfare publications have been included in Appendix E. Aon's thought leadership on Health Care Reform and the Affordable Care Act can be found at [www.aon.com/healthcarereform](http://www.aon.com/healthcarereform).

### National and Local Communications

Aon hosts national teleconferences, in-person conferences, local breakfast seminars, and roundtables to brief our clients on industry trends and new developments. We use these forums to share information with our clients and provide an opportunity to leverage their peers' knowledge and experience.

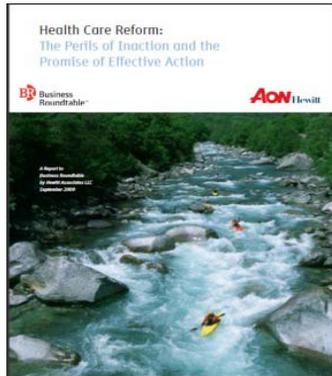
Teleconferences are provided at no cost, and it is not unusual to have more than 200 client participants. Past teleconferences have addressed the following topics:

- Guiding Employees Toward Greater Health Care Responsibility
- Insights and Trends on Retiree Health and the New Medicare Drug Benefits
- Take Control: Motivating Employees to Take Personal Responsibility for Their Retirement Savings
- Report From the Field—How Organizations Are Responding to Medicare Part D

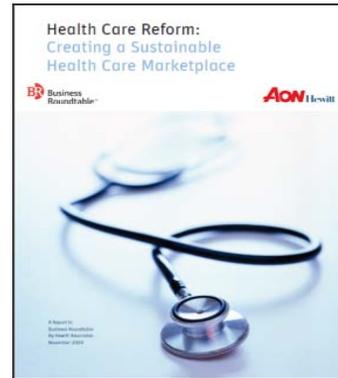
Aon also conducts annual surveys to capture emerging employer and employee trends. The annual Aon Health Care Survey examines the roads available to employers and employees as they examine their roles in our health care system. The survey results provide a holistic view of the challenges employers have identified, as well as employee perceptions in response to the employer plans and the overall health care system. The survey is available at no cost to both the employer and employee and can provide valuable insight into your own population and the population as a whole.

### Thought Leadership

Aon has much human capital with years of experience. Our thought leaders routinely write *White Papers* that may be of interest to you. These documents are included in our offering. Some of the recent White Papers include:



**Health Care Reform: The Perils Of Inaction and the Promise of Effective Action, a report for the Business Roundtable**



**Health Care Reform: Creating a Sustainable Health Care Marketplace**

### Claim Research

We are happy to research escalated claim issues as necessary. We simply ask that members have tried to resolve their issues by contacting the carriers or their providers first. If they continue to have issues, we are here to assist your employees. Many times, this assistance is sufficient. However, many employers need additional touches with their employees to resolve complicated issues. In that case, we would introduce Aon Advocacy Services.

### Aon Advocacy Services

Aon offers Advocacy Services as an additional service to assist the Human Resources department. Advocacy Services are provided at an additional cost. Please see the Fee Section of this proposal for more information.

Aon is dedicated to helping our clients and their employees navigate the difficulties that can arise with the adjudication of claims and administrative issues. Advocacy is an increasingly important component of health management. Aon's advocacy and appeals services focus on assisting employees with navigating the health care system and removing barriers for access to care. Our team is made up of highly skilled professionals with extensive claim processing and customer service experience who work with special plan contacts and providers to resolve issues and





communicate the resolution to participants via phone or written correspondence.

Common types of issues include access to care hampered by plan administrative difficulties, provider noncompliance with plan requirements, claim issues with incorrect denials, incorrect payments, balance billing, annual enrollment issues, late report qualified status changes, and dependent eligibility. Advocacy and appeals services can significantly reduce the use of your internal HR resources invested in resolving these issues while fostering self-service and providing high-touch assistance to your employees. Today, this team serves more than 150 clients, covering over 4.5 million employees and retirees, and managing more than 25,000 issues annually.

### **Billing Services**

Aon works with our clients to review initial bills for each plan year and when there has been a carrier change. We are looking to be certain the carriers are billing the approved rates to our clients. Additionally, we work with our clients to resolve billing issues as necessary.

***Indicate your firm's capabilities and resources concerning communication to include ongoing employee communication, open enrollment and online enrollment services. Be sure to include information regarding on-line services, and any additional costs associated with various offerings.***

### **Web Portal**

We can provide you and your employees with MyAonAssist.com. This is a web portal that will allow you one place to act as a repository of all your benefit documents, frequently used forms you require of your employees, news you want to pass along to all employees, and links to your vendors. If the City is using enrollment forms to enroll new hires or at open enrollment, the enrollment forms may be placed on this site as well.

**xuberant**  
through learning we grow healthy and happy

**MyAonAssist**  
E-mail HR | Help | Logout

Home Benefits Employee Resources Health & Wellness My Info 03.15.2011

**Welcome Anita Vacation**  
You've entered **Xuberant's Employee Portal**, an example of a Communication Portal that has been specifically branded for Xuberant. This personalized employee portal is designed to help you and your family access answers to important benefits questions quickly and conveniently. We hope you and your family find this system helpful. It's one more step in our continuing efforts to make benefits information easy to understand and accessible.

**I'm Here To...**

- Get a Form
- View a Life Event
- Make A Benefits Decision
- Review a Health Topic
- Find a Doctor
- Review Plan Costs
- Watch Videos about my Benefits

**If you have a question, we can help you find the answer.**

**Benefits** - Find answers to important questions, plus forms and resources for you and your family.

**Employee Resources** - Read company policies and procedures, get HR contacts and links.

**Health & Wellness** - Explore the vast knowledgebase of health and medical information.

**My Info** - Store information that's important to your life, including financial data, health records and more.

**My Info**  
It's easy to create a personal portal; see what it can do for you. Start today!  
read more...

**Benergy™ News**  
02/27/2009 - Welcome Anita V...  
02/12/2009 - Check Out Your ...  
02/01/2009 - Where's Y...  
read more...

**Attention Employees**  
**ready...enroll**  
292 Days To Enroll!  
Begin

**Aon Hewitt**  
Disclaimer | Privacy Notice | Legal Notice  
Powered by Benergy™, a product of A.O.A.M.  
Brought to you by AON.  
© 2001-2011 A.O.A.M., Inc. All rights reserved.

MyAonAssist includes:

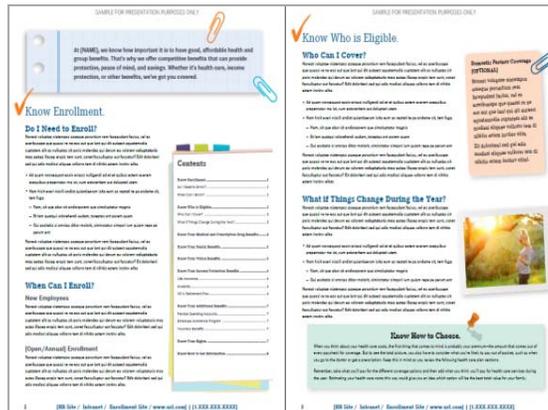
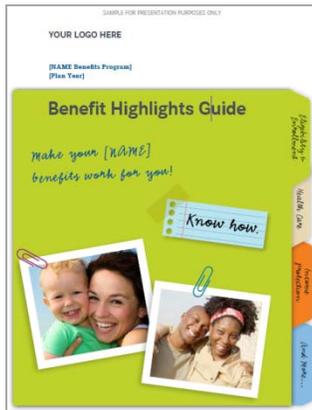
- Detailed explanation of benefit plans and HR policies
- Decision support tools
- In-depth health & wellness information
- HR's site to convey information to entire workforce
- News
- Links
- Client Branding Flexibility

At open enrollment, Aon will assist in communicating your benefit programs. We can do this in several ways.

- We will **prepare the City's open enrollment PowerPoint presentation** and allow you time to review and make any edits necessary for your culture.



- Using our open enrollment presentation, we will **conduct your open enrollment meetings** (in some cases have vendors to participate in this activity). We can do these in person or via webinar, as warranted. We use this opportunity to not only educate employees about their benefits but also to educate on using vendor portals, cost saving measures employees can practice, and other topics to help employees get the most from their benefit plans.
- Our communications practice, on a project basis, can be brought in to enhance presentations, modify the enrollment presentation and add voice over so that it may be used for new hires throughout the year.
- We have four predetermined “Know How” package options increasing in amount of custom enrollment messaging and number of components. These template packages help to provide our clients with a high quality, low cost communication format. All packages are delivered electronically with your logo in best practice graphic design. Printing is optional but invoiced at cost.



Using **MyAonAssist.com**, the employees have access to their benefit information 24 hours, 7 days a week eliminating many routine questions usually asked of Human Resources.

**Describe the type (i.e. face to face, conference calls, email only, etc) and frequency (daily, monthly, etc) of communication that will be made available for city officials and employees. Again, please describe in detail your on-line capabilities and services.**

Below is a description of the types and frequency of communications and with whom the communication is targeted for with our clients.

For those responsible for the benefits program:

- Kick-off meeting.** We want to meet to understand your culture, goals for benefits, overall goals and objectives of the City. We would gather data we could not obtain from the carriers, obtain the history of your benefit programs, and have you share any other insights into your benefits programs.



- **Annual face-to-face planning meeting.** Looking to get direction for the upcoming year and your short-term and long-term strategic goals. Once you have been our client for one full year, this meeting would also include the Client Promise results.
- **Annual face-to-face benchmarking meeting.** Sometimes this is included with the annual planning meeting and sometimes it may be included with the renewal meeting.
- **Quarterly face-to-face meetings** to review plan, contingent on carrier reporting. This is typically a time to review utilization of the plan, high amount claims, and enrollment. Provide updates with regulations, Affordable Health Care, carrier updates, etc.
- **Annual face-to-face renewal meeting.** (If benefits are at different renewal time frames, we will have multiple renewal meetings.) We review the renewals, cost drivers (based on availability of carrier reporting), Aon's renewal projection versus carrier renewal, negotiations on renewal, changes required by carrier at renewal, as necessary.
- **Face-to-face marketing meeting.** If a marketing has been conducted, we will meet face-to-face to review the marketing results with you and your team and answer your questions about the results, carriers, etc. in order to help you make your decisions.
- **Annual meeting to plan open enrollment meetings.** Once decisions are made, we will meet with you to ensure your goals and objectives for annual enrollment are met and all compliance matters have been addressed.
- **Annual board meetings** – sometimes our governmental/public sector clients ask us to attend their annual board meeting when benefit decisions are being made. We are happy to assist as necessary.
- **Conference Calls** are as necessary in order to educate, clarify, or review a particular topic.
- **Email communications** are as necessary and frequently sent for general communication as well as sending Aon Bulletins, Washington Reports, initiations to events, etc. We want to communicate with you in the method you prefer but certain communications are automated and are generally via email.
- **By phone or email,** we are always available to answer your questions. Our normal office hours are 9am – 5pm CST. When we travel, we have Blackberries, and therefore, can usually respond to client requests or be working on them even though we are away from the office. We take servicing our clients seriously and work hard to resolve issues timely and to your satisfaction.

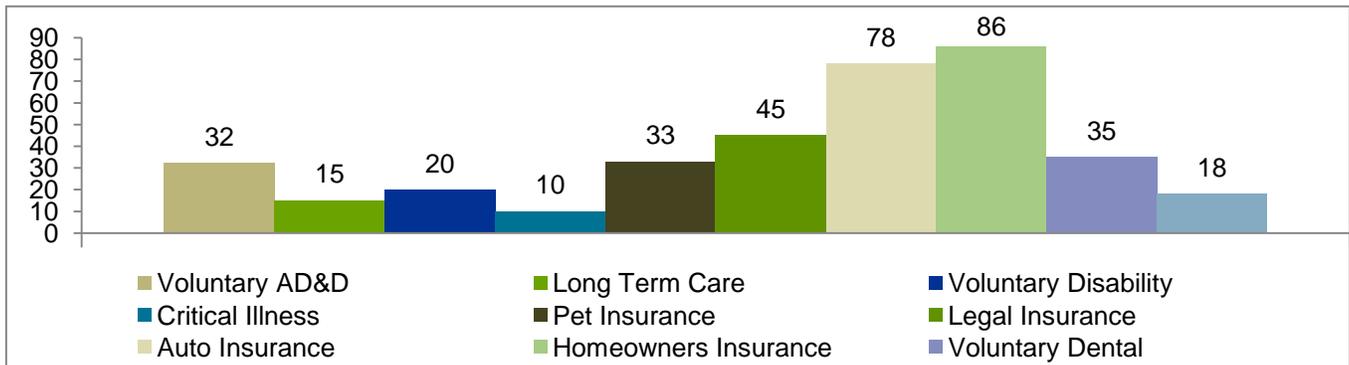
### Communications with Employees

- **Open Enrollment Meetings** – this is generally the time we meet with your employees and address global needs by presenting and educating about their benefit programs. We work to teach the employees how to use the carrier websites, cost saving measures that help them and help the plan, other carrier resources, and answer specific questions they have.
- **Health Fairs** – many of our clients have health fairs. We can assist in the planning, coordinate vendors for health fairs, and attend your health fair. We enjoy the opportunities to assist your employees in finding ways to better use the services in their benefits programs.
- **Escalated claim resolutions as needed.** As we referenced previously, we are happy to assist your employees once they have tried to resolve any situation themselves. Any issues we assist with will be logged in order to keep the City abreast of the number and type of call we are receiving should we need to provide more education in a particular topic.
- **Aon Advocacy Services,** for a fee, Aon will work with your employees regarding a variety of topics. See Appendix F for additional information on our Advocacy Services.
- **Employee Surveys** – the employee survey allows employers to gauge opinion of their employees, define the value of the benefits, establish a platform for strategic planning, and assess which benefits are important to your employees. Knowing this information allows the City to shift dollars to benefits that matter the most to your employees.



**A sample question from the Employee Survey is shown below:**

If offered, would you want to purchase any of the voluntary coverages?



***Describe the support you provide for the development and enhancement of employee wellness programs, and include any costs associated with such.***

Being that Tennessee is 15<sup>th</sup> most obese state in the US, employers all across TN are concerned about the health of their employees. Not only does the loss of productivity and absenteeism occur when chronic conditions begin to face your employees, but the cost of the City's health insurance increases. At Aon we have subject matter experts in the Health and Productivity practice who can assist the City with practical ways to design, implement, and run your wellness program. Furthermore, Aon can help the City find a wellness vendor that meets your needs.

Controlling the cost of healthcare continues to be a challenge for most employers. Drawing upon the vast resources within Aon, we address disease management, chronic conditions, wellness and productivity, medical and pharmacy utilization, benefit design, plan costs and contributions. We have the tools to help us model the financial aspects of your plans; we have the data such as benchmarking, surveys (trend, mindset of employees, and healthcare trends) to help you make informed decisions.

Additionally, MyAonAssist.com, our web portal, has a wellness center embedded in the portal. This is geared for the employer who has no wellness program in place or is in the very early stages of a program. Employers using the Wellness Program typically have a very limited to no budget to spend on wellness but want to begin helping employees assess their risk and get some education on their issues. In the Wellness Center, one will find:

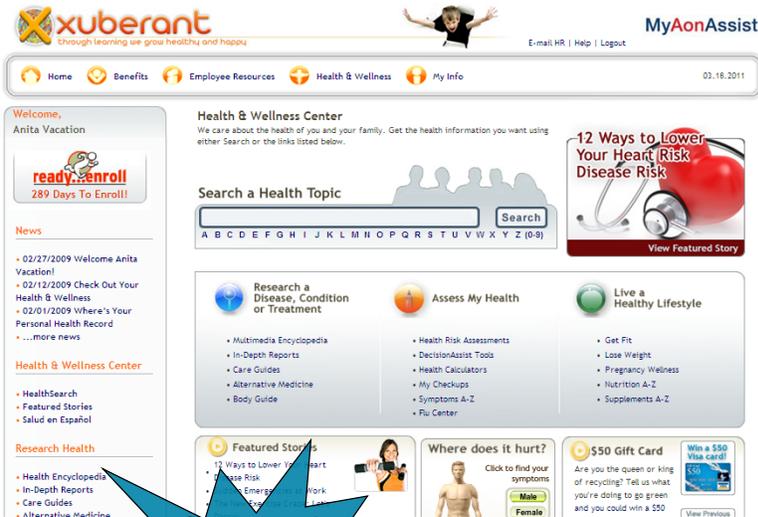
- Online Health Risk Assessments (HRA)
- Web based coaching
- Community Wellness Programs
- National Programs – Quit Smoking, American Heart Association, American Cancer Society



For employers with small wellness budgets, we also work with the medical carriers to uncover all the carrier has to offer that may be embedded in the premiums the employer is already paying and then we assist in educating the employees about these services.

## Aon Hewitt's Health And Wellness Center

- **The Aon Hewitt Health & Wellness Center in MyAonAssist** comes with valuable health content, developed by **A.D.A.M.**, one of the leaders in online health
- This is the same knowledge used by hospitals and medical schools around the world — so you know it's current, well-researched and unbiased, unlike much of the health information found on the Web
- With so much in the Health & Wellness Center, MyAonAssist users can rely on this exclusive resource whenever medical issues arise



**Smarter and healthier healthcare consumers**

## General Information Regarding Indemnification

Aon Hewitt generally agrees with the City's language regarding Indemnification; however, if awarded the business, we would like to discuss and negotiate mutually agreeable language for the final contract. We would like language that has the following concepts: Aon Hewitt will, to the extent practical and reasonably necessary, perform corrective services to the extent that it makes an error in the performance of services. Aon Hewitt is willing to accept liability for its errors (i.e., negligence) up to an agreed upon annual cap approximately equal to the amount of annual fees paid to Aon Hewitt under the parties' contract. For other breaches of the agreement (such as intellectual property infringement, criminal misconduct, willful misconduct, etc.), Aon Hewitt is willing to accept total liability. Aon Hewitt is willing to accept only direct liability in connection with the contract, and therefore, Aon Hewitt expects to be indemnified by City of Spring Hill from and against all third party claims (including, most significantly, claims by City of Spring Hill's plan participants) relating to Aon Hewitt's services. To the extent that any third party claims causes losses, damages, etc. to City of Spring Hill, Aon Hewitt will be liable for such losses, damages, etc. subject to the limitations described above.



## Scope of Services

Consulting Services	Frequency	Cost
<b>Strategy</b>		
▪ Strategic plan linking business objectives	Annually	Included
▪ Benchmark design/costs	Annually	Included
▪ Health Care Reform assessment	As needed	Included
▪ Cost containment tactics	Quarterly	Included
▪ Executive/Board summary reports	Quarterly	Included
▪ Annual stewardship report	Annually	Included
▪ Annual service review—Client Promise		
▪ Action plan and service schedule		
<b>Financial Management</b>		
▪ Develop budget projections	Annually	Included
▪ Contribution modeling	Annually (if necessary)	Included
▪ COBRA rate development		
▪ Stop loss deductible and attachment level analysis		
▪ Alternate funding arrangement analysis		
▪ Actuarial impact of design changes		
▪ Health Care Reform modeling		
▪ IBNR calculation, when self funded	Quarterly (dependent on carrier report availability)	Included
▪ Financial reporting		
▪ Comprehensive medical/Rx utilization analysis		
<b>Renewal/Marketing</b>		
▪ Pre-renewal projections	Annually, if necessary	Included
▪ Detailed marketing/renewal report		
▪ Market selection and approval		
▪ Total and itemized costs		
▪ Independent network discount analysis		
▪ Funding methodology evaluation		
▪ Carrier financial ratings/market review	At renewal, marketing and stewardship	Included
▪ Best and final negotiations	Annually	Included
▪ Disclosure of all proposals and compensation	Annually	Included
<b>Implementation</b>		
▪ Carrier application preparation assistance	Annually as applicable	Included
▪ Enrollment meeting support/coordination		



Consulting Services	Frequency	Cost
<ul style="list-style-type: none"> <li>Contract review</li> <li>Review vendor-created employee communications</li> <li>Administrative arrangements (billing, banking, reporting, data)</li> </ul>		
<ul style="list-style-type: none"> <li>Executive summary of final decisions</li> </ul>	Annually	Included
<b>Ongoing Service</b>		
<ul style="list-style-type: none"> <li>National Aon Hewitt vendor liaisons</li> <li>Scheduled vendor service meetings</li> <li>Issue resolution (claim, billing, eligibility)</li> </ul>	As needed	Included
<ul style="list-style-type: none"> <li>Work plan for ongoing tasks/projects</li> </ul>	Annually	Included
<b>Compliance and Regulatory Support</b>		
<ul style="list-style-type: none"> <li>Compliance review of SPD provisions, contracts, agreement, and documents</li> <li>Aon Hewitt-assigned legal resource</li> </ul>	Ongoing	Included
<ul style="list-style-type: none"> <li>Web-based Compliance Dashboard</li> </ul>	Ongoing	Included
<ul style="list-style-type: none"> <li>5500 preparation—signature ready</li> </ul>	Annually, as applicable	Included
<ul style="list-style-type: none"> <li>Summary Annual Report preparation</li> </ul>	Annually, as applicable	Included
<ul style="list-style-type: none"> <li>Ongoing webcasts and legislative alerts</li> </ul>	Ongoing	Included
<ul style="list-style-type: none"> <li>Upon request, provide additional information to assist in client's fulfillment of ERISA fiduciary duties</li> </ul>	As requested	Included
<b>Communications</b>		
<ul style="list-style-type: none"> <li>Communication strategy</li> </ul>	Annually	Included
<ul style="list-style-type: none"> <li>Know How—eight-page open enrollment guide</li> </ul>	Annually	Additional cost
<ul style="list-style-type: none"> <li>Front/Back Benefits-At-A-Glance</li> </ul>	Annually	Included/Printing at cost
<ul style="list-style-type: none"> <li>Benefits website—client-branded</li> </ul>	Ongoing	Included
<ul style="list-style-type: none"> <li>Employee benefit surveys</li> </ul>	As needed	Included
<b>Wellness</b>		
<ul style="list-style-type: none"> <li>Needs analysis &amp; Wellness Subject Matter Expert</li> <li>Wellness opportunity evaluation</li> <li>Wellness program development</li> <li>Wellness vendor review, selection, and assistance with implementation.</li> <li>Wellness website and tools on MyAonAssist.com</li> </ul>	Annually	Included
<b>Elective Benefits</b>		
<ul style="list-style-type: none"> <li>Needs assessment</li> </ul>	Ongoing	Included



Consulting Services	Frequency	Cost
<ul style="list-style-type: none"> <li>▪ Vendor selection</li> </ul>		
<ul style="list-style-type: none"> <li>▪ Implementation of Elective Benefits</li> </ul>	As needed	Commissions
<ul style="list-style-type: none"> <li>▪ Elective program design</li> </ul>	As needed	Commissions
<ul style="list-style-type: none"> <li>▪ Enrollment management</li> </ul>	As needed	Commissions
<b>Resources</b>		
<ul style="list-style-type: none"> <li>▪ Subject Matter Experts               <ul style="list-style-type: none"> <li>– Wellness</li> <li>– Pharmacist</li> <li>– Actuary</li> <li>– Underwriters</li> <li>– M.D.s and R.N.s</li> <li>– ERISA attorneys</li> <li>– Absence and Leave</li> <li>– Elective Benefits</li> </ul> </li> </ul>	Ongoing and as requested	Included
<ul style="list-style-type: none"> <li>▪ Access to local geographic experts in 50 U.S. offices</li> </ul>		
<b>Additional Services</b>		
<ul style="list-style-type: none"> <li>▪ Aon Advocacy Services</li> </ul>	Available	<ul style="list-style-type: none"> <li>▪ \$0.95 pepm for business hours service</li> <li>▪ \$1.10 pepm for 24/7 service</li> </ul>

## Fee Proposal

Our goal is to develop a value based fee that is aligned with your needs to provide you with the appropriate level of time, expertise and resources.

Aon proposes the following three year fee with the City of Spring Hill:

\$49,200 to provide the service listed as “included” in the above Scope of Services.

If the City is more comfortable working on a commissions basis, we can work with you in this manner as well. For Aon, all compensation is completely transparent and we are happy to work with you in the means that best fits your needs.



## Appendix A – Map of Aon Hewitt Locations

### Aon Hewitt Health & Benefits Practice – Deep Resources

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## Appendix B - Team Member Biographies

### Michael Griggs

*Resident Managing Director*

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#### Professional Background

Michael is responsible for managing the Nashville office of Aon. Michael works with the Nashville office and clients to develop and implement strategies that reduce clients total cost of risk and is responsible to help deliver seamless service. In Michael's seven years at Aon, he has helped drive over \$15.9 million in savings to his clients.

Michael's areas of special expertise include: Fortune 1000 Companies, NYS self insured workers, compensation, complex, self insured programs, captives & RRG's, federal & state insurance regulatory changes, manufacturing, private equity, healthcare, governmental organizations, education & construction, and Health & Benefits.

Michael has over thirteen years of risk management, insurance and human capital consulting industry experience. Starting his career at Liberty Mutual as an account executive Michael specialized in helping clients to select the best risk financing programs that supported their business objectives. In 2003, Michael assumed a sales leader role at Marsh in Upstate, NY and worked collaboratively across all of the Marsh/Mercer industry practices.

#### Education and Professional Affiliations

Michael holds a Bachelor of Science in International Business from State University of New York at Oswego and a Master's of Business Administration from the University of Rochester's Simon School of Business. Michael is on the RIMS Legislative Action Committee, an alumnus of FBI Citizens Academy and on the Ronald McDonald House Development Committee.

### Rick Rothman, CPCU, ARM

*Relationship Manager*

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#### Professional Background

Rick is responsible for business development and the overall client experience in tandem with the Account Executive. Prior to joining Aon he spent six years working for Milliken, a textile and chemical manufacturer, in process improvement and supply chain management.

#### Education and Professional Affiliations

Rick holds a Bachelor of Science in logistics from the University of Tennessee and a Master in Business Administration from Clemson University. He earned a Chartered Property Casualty Underwriter (CPCU), Associate in Risk Management (ARM) and Certified Insurance Counselor (CIC) designations.

Rick served in the United States Army and has eighteen years of insurance client service.

### Nancy Brown

*Account Executive/Single Point of Contact*

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#### Professional Background

Nancy is a Vice President and Local Practice Leader in Aon's Employee Benefits Practice in the Franklin, TN office. Nancy's primary responsibilities are servicing accounts through renewal and plan analysis, cost



projections, underwriting, assisting clients with retiree medical plans and alternatives that may be more advantageous for them, vendor management, educating clients and their employees about their benefits during open enrollment meetings, educating her clients' on the Affordable Care Act and communications strategies. She works with her clients' to incorporate their business goals into their benefits strategy.

Nancy has 22 years of employee benefit experience and insurance company benefits manager and representative experience. Nancy has been with Aon for 10 years and prior to that was with Aetna for approximately 12 years. There she had experience in member services, claims processing, product support role, provider relations representative and manager, and account services manager. Prior to her insurance experience, she was a high school math teacher and coach.

### **Education and Professional Affiliations**

Nancy holds a Bachelor's degree in Math from Pfeiffer College and a Master's degree from UNC-Charlotte in Math Education. Nancy is a licensed agent in life and health in the state of TN.

## **Michelle Stedam**

*Emergency Backup to SPOC – Account Specialist*

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### **Professional Background**

Michelle is an Assistant Vice President and Account Specialist located in our Cincinnati office. Her primary responsibilities include providing support with client and employee service administration issues, vendor negotiations, plan designs and implementation, plan compliance issues and the regular review of health and welfare plans and utilization patterns.

Michelle has over 15 years of experience in medical, dental and consumer driven products. She worked for a local Third-Party Administrator for self-funded medical and dental plans. Michelle uses her experience to assist clients in design, administration, funding and communication of employee benefit plans. Michelle joined Aon Hewitt in February of 2009.

### **Education and Professional Affiliations**

Michelle holds an Associate's degree in Criminal Justice from the University of Cincinnati. She is a licensed agent for life and health insurance.

## **Kendra Leake**

*Office Coordinator*

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### **Professional Background**

Kendra is the Office Coordinator for Aon Franklin. She assists our office with a variety of tasks that keep our office running smoothly including assisting in planning on-site client meetings, preparing Requests for Proposals, layout and design of some of our communication materials, and peer reviewing documents.

Kendra has been with Aon since 2009 and typically works behind the scenes to assist our office in a variety of needs that allow us to service our clients effectively.

### **Education and Professional Affiliations**



Kendra, a 2009 Cum Laude graduate, holds a Bachelor's degree in Communications with a minor in English from the University of Tennessee-Martin.

## **Mark Stroman**

*Senior Vice President/Member of State and Local Government Practice Network*

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### **Professional Background**

Mark is a Senior Vice President and member of Aon's State and Local Government Practice Network. He is an experienced health and benefits professional with more than 25 years in the industry and has been with Aon since January 2007. He has worked on the vendor side as well as consulting and brokerage for a few national firms, primarily in the middle market and government employer space. He has enjoyed success growing business concentrating mostly on new sales and business development. While he has held various roles within Aon Hewitt such as Local Market Leader, Market Sales Leader, he has also recruited and built successful employee benefit consulting teams over the past several years of his career.

### **Education and Professional Affiliations**

Mark has a Bachelor's degree in Economics from Clemson University. Additionally, he holds the Certified Employee Benefit Specialist designation.

## **David Sanders**

*ERISA Attorney, National Tax and ERISA Practice*

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### **Professional Background**

David is a vice president in Aon Hewitt's National Tax and ERISA Practice based in the Baltimore office. His primary responsibilities include providing legal & government compliance consulting services to clients and responding to questions from health & welfare and retirement consultants about legal and compliance related issues. In addition, David performs benefit plan compliance reviews, conducts research, monitors changes in the law, and reviews all documents and tax filings prepared by Aon Hewitt on behalf of its clients.

David has 22 years of experience in all aspects of employee benefits law. Since joining Aon in 1995 from a Washington, D.C. law firm, he has worked with clients such as America Online, Anne Arundel County Board of Education, BAE Systems, Kilpatrick Stockton, McCormick & Company, NASD, NFL, Society for Human Resource Management, U.S. Department of Energy, and Washington Post Company. David's most recent assignments include performing due diligence compliance reviews of acquired companies' qualified retirement plans and advising clients on the ERISA and tax implications of demutualization awards.

### **Education and Professional Affiliations**

David holds a BS in Political Science from Indiana University of Pennsylvania and a JD, as well as a LLM in Taxation from the University of Baltimore Law School. He is licensed by the Maryland and District of Columbia Bars and is a member of the American, Maryland and District of Columbia Bar Associations. He has served as a volunteer on the Human Resources Committee of the United Way of Central Maryland, the Employment Committee of the Greater Washington Board of Trade and the Legal Section Council of the American Society of Association Executives.



David is a frequent lecturer and writer on employee benefit issues. He has spoken at events sponsored by the Chesapeake Human Resources Association, International Foundation of Employee Benefit Plans, International Society of Certified Employee Benefit Specialists, WEB and the Greater Washington Board of Trade. He has written for the Employee Benefits Journal, Employee Benefits Counselor and Association Management publications.

## **Lisa Zeitel**

*Senior Vice President/National Pharmacy Team*

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### **Professional Background**

Lisa is a Senior Vice President on Aon Hewitt's national Pharmacy team and consults to public and corporate plan sponsors and coalitions to improve the quality and reduce the cost of prescription drug benefits. She has a key leadership role establishing and developing intellectual capital, creating internal tools, and conducting research for the national pharmacy practice. Sample clients include Alcatel-Lucent, Dover Corporation, Loews Corporation, New York City Transit Authority, Teva Pharmaceuticals, and SAMBA. Lisa is based in Norwalk, Connecticut.

Lisa's areas of expertise include collective purchasing of prescription drug benefits, pharmacy benefit management including benefit design and evaluation, vendor selection, and financial and contract negotiations. She has extensive understanding of very large and complex plan sponsors and coalitions and manages complex projects successfully.

Lisa has more than 20 years of experience in health care. Prior to Aon Hewitt, Lisa was a principal at Buck Consultants, where she provided health care and prescription drug consulting services, specializing in program strategy, design, and evaluation for public and private plan sponsors, employer coalitions, and pharmacy benefit providers. In addition, she spent 13 years at Mercer, where she was national leader of the Pharmacy practice for more than five years and practice leader for the Connecticut Health and Benefits consulting business for four years. She successfully formed, managed, and advised multiple prescription drug purchasing collectives representing nearly three million lives and consulted with numerous public and corporate plan sponsors regarding the selection and evaluation of health benefits in general and prescription drug benefits in particular.

Prior to her employment at Mercer, Lisa spent five years at Metropolitan Life Insurance Company/MetraHealth evaluating the efficiency and effectiveness of managed care products and networks for large, national account clients. In former positions at the United Hospital Fund of New York and the New York City Department of Health, Lisa gained extensive experience researching and analyzing health policy issues, primarily focused on improving the health status of selected populations.

### **Education and Professional Affiliations**

Lisa received a Bachelor of Science *magna cum laude* in community nutrition from New York University and a Master of Public Health with concentrations in population and family health and epidemiology from Columbia University. She was named one of *Business Insurance's* "Women to Watch" in 2006, is a frequent speaker at professional conferences, and has published articles in several professional journals, including *Employee Benefit News*, *Workspan*, and *The American Journal of Public Health*.



## **Robin Bouvier**

*Certified Wellness Coordinator*

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### **Professional Background**

Robin joined Aon in 1999 and is a Vice President in the Health & Benefits Practice. As a member of Aon Hewitt's National Health Transformation Team, Robin services as a subject matter expert for health and productivity. Robin assists consultants and clients in strategy development, wellness vendor selection and wellness program execution. She identifies opportunities for organizations to improve modifiable risk factors and behaviors to increase employee health and well-being. Robin also conducts site audits and recommends policy and environmental changes to create a culture of healthy living.

Robin is a graduate of the WellCert<sup>sm</sup> program through the Chapman Institute and has earned the designation of Certified Wellness Program Coordinator. She also recently completed "Work, Health and Wellbeing: Strategic Solutions for Integrating Wellness and Occupational Safety and Health in the Workplace," an Executive and Continuing Professional Education course at Harvard School of Public Health. Robin appears regularly as a featured speaker at HR and wellness industry events.

### **Education and Professional Affiliations**

Robin holds a BS in Business Administration, Marketing from Miami University in Oxford, Ohio and is licensed as a life, disability and health broker in Massachusetts, Connecticut, New York, Rhode Island and New Hampshire.

She is a member of the following organizations:

- Chair 2012 Wellness Conference
- Chair Conference Planning Steering Committee 2010-2011
- NEHRA Advisory Group Member
- New England Employee Benefits Council – Wellness Committee Member
- Rhode Island Business Group on Health
  - Co-Chair Health and Productivity Steering Committee
  - Chair Communications and Event Planning Committee for 2013 Healthy Weight Challenge
- Worksite Wellness Council of Massachusetts – Programming Committee Member
- Northeast Business Group on Health
- Abacus Health Care Institutional Review Board



## Appendix C – Insurance Certificate/Licenses



## Appendix D – Comprehensive Disclosure Statement Sample



## Appendix E – Health & Benefits Sample Communications



## Appendix F – Additional Information on Advocacy



## Contact Information

### **Rick Rothman**

Senior Vice President  
Aon Risk Services South, Inc.  
Practice Group (optional)  
1-615-771-8130  
[rick.rothman@aon.com](mailto:rick.rothman@aon.com)

### **Nancy Brown**

Vice President  
Aon Risk Services South, Inc.  
Employee Benefits Consulting Group  
615-771-8140  
[nancy.brown@aon.com](mailto:nancy.brown@aon.com)