County Of Sonoma
Agenda Item
Summary Report

Department: Human Resources

Name and Phone Number: Scott Hadley - (707) 565-3525

Board Date: 12/13/2011
Deadline for Board Action: 12/13/2011

AGENDA SHORT TITLE: Agreement with Discovery Benefits Inc. for COBRA Benefits Administration.

REQUESTED BOARD ACTION: Authorize the Chair of the Board to execute an agreement with Discovery Benefits Inc. to provide benefits under the Consolidated Omnibus Budget Reconciliation Act of 1986 (COBRA) and related benefits administrative services beginning January 1, 2012 through December 31, 2014 with an annual cost not to exceed $25,000 and a total contract cost not to exceed $75,000.

CURRENT FISCAL YEAR FINANCIAL IMPACT

EXPENDITURES: ADDITIONAL FUNDS REQUIRING BOARD APPROVAL:

Estimated Cost $30,000
Amount Budgeted $50,000
Other Available Appropriations
(Explain Below) $0

Contingencies (Fund Name:) $0
Unanticipated Revenue (Source:) $0
Other Transfers (Source:) $0
Additional Requested Additional Funds Requested $0 $0

Explanation (if required): The change of administrator will result in an annual cost savings to the County; however the costs for the current Fiscal Year will be higher than the anticipated ongoing costs. There will be payments of $25,000 to the current COBRA administrator for July to January as well as conversion costs. The County will have an overall savings to budget for the current Fiscal Year.

Prior Board Action: 10/17/2006: Authorize the Chair of the Board to execute the agreement and amendment with CONEXIS for COBRA administrative services, effective August 1, 2006.

Alternatives – Results of Non-Approval: County would continue to use CONEXIS as COBRA administrator.
**Background:**
The Consolidated Omnibus Budget Reconciliation Act of 1986 (COBRA) as well as California law requires that employers with at least 50 employees provide continuing access to health benefits (medical, dental, vision and employee assistance program) for a set period of time after termination of employment and other qualifying events where health coverage terminates. Due to the complexities and potential penalties of administering COBRA benefits many employers engage a third party administrator for these benefits. Since July 2005 the County has engaged CONEXIS as COBRA administrator.

Human Resources/Risk Management engaged the County’s benefits consultant, Segal, to conduct a Request for Proposal (RFP) in November 2010. The RFP was sent to the six vendors that Segal advised were the most likely to meet the County’s needs. None of these vendors are located in the County of Sonoma and neither Segal nor County staff are aware of any local administrators. Four vendors responded to the RFP and Segal determined that Discovery Benefits Inc. (DCI) was the only vendor that met all of the aspects of the RFP. Segal conducted reference checks in July 2011 and DCI was interviewed by County Benefits staff in September. Further due diligence and reference checking was also performed by Scott Hadley, Employee Benefits Manager in September.

Based on DCI’s responses to the RFP, their responses during the interview and comments from current DCI clients the County can expect:

- Improved response to COBRA participant questions and issues
- Reduced administrative work by County Benefits and Auditor Payroll staff
- Quicker turnaround of enrollments and termination of COBRA to vendors
- Stronger legal compliance
- Reduced overall costs to the County

The current agreement with CONEXIS provides payment based on specific forms that are sent out to participants and how many participants enroll for COBRA benefits. During layoffs and voluntary separation programs the costs to the County increase as there are more COBRA participants which creates an increased workload. For the Fiscal Year 2010/2011 the County paid CONEXIS $41,879. DCI has agreed to charge the County $.40 for every active employee per month that is enrolled in a COBRA eligible benefit. They have also agreed to various performance guarantees. Based on a current count of eligible active employees of 3,583, the estimated annual expense is $17,198. Due to the transition of current COBRA participants from CONEXIS to DCI, costs for Fiscal Year 2011/2012 will be higher than the estimated ongoing costs as CONEXIS has a transition cost, but DCI is not charging any conversion or transfer costs.

The initial contract period with DCI is through December 31, 2014 (36 months), and their fees are guaranteed through that period. The agreement will automatically renew on an annual basis thereafter. Fees will be reviewed and negotiated prior to each renewal. The County or DCI can terminate the agreement with a 60 day notice. The relationship with DCI will be reviewed on an ongoing basis, and a formal RFP will be issued for COBRA services in no more than five years.

The recommended action is to authorize the Chair of the Board to execute an agreement with Discovery Benefits Inc. to provide COBRA and related benefits administrative services beginning on January 1, 2012 with an annual cost not to exceed $25,000. To maintain continuous administration services for COBRA participants, this agreement will renewal annually unless the County notifies DCI of termination, pursuant to the terms of the agreement.
Attachments: None.

**On File With Clerk:** Service Agreement for COBRA Administrative Services
Business Associate Agreement Discovery Benefits Inc. County of Sonoma
Attachment A Scope of Work
Attachment B Fee Schedule and Performance Guarantees
Attachment C Required Insurance.