



Contract Award: Employee Benefits Carrier Services Program

Item 8C

December 6, 2023

Board of Directors

Report: TCHC:2023-67

To: Board of Directors (the “Board”)

From: Building Investment, Finance and Audit Committee
 (“BIFAC”)

Date: November 2, 2023

PURPOSE:

The purpose of this report is to seek the Board of Directors’ (the “Board”) approval for TCHC to make an award before December 31, 2023, pursuant to RFP 23063 for an employee benefit carrier services program for a seven-year term, comprised of a three-year initial term plus two optional two-year extensions based on the two award scenarios outlined in Confidential Attachment 1 to this report.

Board approval is required as the award of contract with a term of seven years and with a total value as reflected in either scenario presented in Confidential Attachment 1 exceeds the approval authority of TCHC’s Procurement Award Committee (“PAC”).

RECOMMENDATIONS:

It is recommended that the Board:

- 1) Approve an upset limit as identified in both Table 1 and Table 3, in the Confidential Attachment for the continuation of the employee benefit carrier services program for a seven-year term, as outlined in this report;

- 2) Authorize the Chief Financial Officer & Treasurer to award a contract to the highest ranked proponent to Request for Proposal (“RFP”) 23063, pursuant to either Scenario 1 or Scenario 2 outlined in Confidential Attachment 1 to this report, subject to the following conditions being met:
 - a) The Senior Director of Procurement has recommended the procurement process and subsequent award decision as being conducted in a fair and transparent manner and in compliance with the terms of RFP 23063, and applicable procurement policies, procedures, and protocols;
 - b) The award is to the successful proponent whose response meets the specifications and qualification requirements set out in RFP 23063 and whose response represents the best value to TCHC based on the evaluation criteria set out in the RFP 23063, including the price criteria; and
 - c) The value of the award and resulting commitment does not exceed the upset limit identified in recommendation 1;
- 3) If an award is made under Scenario 1 outlined in Confidential Attachment 1 to this report, authorize the Chief Financial Officer & Treasurer to approve a change order to the incumbent benefits carrier service provider, Medavie Inc. (operating as Medavie Blue Cross) for the amount as outlined in Confidential Attachment 1 to this report (inclusive of HST on the health and dental benefits claims portion), for the reason outlined therein;
- 4) Authorize the Chief People & Culture Officer (or designate) to take such further actions, and to execute any and all agreements and documents, as may be necessary, to give effect to the above recommendations; and
- 5) Direct that staff report back to the BIFAC and the Board in Q1 2024 on the details of the contract award made pursuant to the authority granted under this report.

BIFAC:

This report was approved by the BIFAC on November 2, 2023.

BACKGROUND:

In July 2023, TCHC issued Request for Proposal (“RFP”) 23063 for the continuation of its employee benefit carrier services program for a seven-year term, consisting of a three-year initial term plus two optional two-year terms at TCHC’s management discretion.

RFP 23063 was a Request for Proposals issued jointly with Toronto Seniors Housing Corporation (“TSHC”), through which TCHC and TSHC are to contract separately for their respective employee benefit carrier services program. TCHC has confirmation that TSHC is seeking approval from their Board to enter into a separate agreement with the successful proponent whose response meets the specifications and qualification requirements set out in RFP 23063 and whose response represents the best value based on the evaluation criteria set out in the RFP 23063, including the price criteria (the “highest ranked proponent”) for their employee benefits carrier services program and will be responsible for their own costs in relation to their separate agreement with the provider.

RFP 23063 is for the following employee benefits services coverage:

1. Basic Employee Life
2. Supplemental Employee Life
3. Basic Dependent Life
4. Long Term Disability (LTD)
5. Optional Life - Employee, Spouse & Child
6. Basic Accidental Death and Dismemberment (AD&D)
7. Extended Health Care
8. Health Spending Account (HSA)
9. Dental Care
10. LTD Legacy Claims

TCHC’s current contract for the services with its incumbent provider, Medavie Inc. (doing business as Medavie Blue Cross), expires on December 31, 2023. As of the date of this report, the evaluation of RFP 23063 is underway, but not yet complete.

In order to make an award prior to December 31, 2023, approval is being sought for delegated authority to make an award to the highest ranked

proponent that is identified through the completion of the RFP evaluation process, based on two award scenarios that are detailed in Confidential Attachment 1 to this report.

The requested upset limited for the continuation of TCHC's employee benefit carrier services program outlined in the Confidential Attachment covers a seven-year term.

Budget Costing Details

The budget for the employee benefits carrier services program consists of three main cost components:

1. The cost of health and dental services covered by the benefits plan, which are processed by the benefit carrier and paid to the respective service providers. These costs depend on factors such as employee headcount, employee use, and health and dental provider cost increases. In 2023, this cost represented approximately 68.00% of the total costs of the program.
2. The benefit carrier Administration Services Only ("ASO") fee, being the fee charged by the benefit carrier to process health and dental claims. The ASO fee is determined by a percentage charged by the benefits carrier on the total annual value of health and dental claims it processes for TCHC. RFP 23063 required that at minimum, proponents guarantee ASO rates for three years. In 2023, this cost represented approximately 3.45% of the total costs of the program.
3. The cost of policy premium rates for life, long-term disability and accidental death and dismemberment insurance policies. RFP 23063 required that at minimum, proponents guarantee policy premium rates for three years. In 2023, this cost represented approximately 28.55% of the total costs of the program.

Confidential Attachment 1 summarizes the cost projection for the total contract term of seven years, using actual costs from 2023 as a reference starting point. Note that estimates only can be provided, given that actual costs depend on employees' claims on health and dental benefits the premium rates provided by the benefit provider for long term disability, taxable lie, accidental death & disability, and administration fees.

IMPLICATIONS AND RISKS:

TCHC is currently in its sixth year of a contract with the incumbent provider Medavie Blue Cross, ending December 31, 2023. TCHC is required to have an employee benefits carrier services program in place and as such TCHC is seeking the necessary approvals from BIFAC and the Board in order for TCHC to make an award before December 31, 2023.

SIGNATURE:

“Barbara Shulman”

Barbara Shulman
Chief People and Culture Officer

STAFF CONTACT:

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