



# Town Council Action Report

April 19, 2021

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## Resolution Approving a Professional Services Agreement with Horton Group for Insurance Broker Services

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**Prepared By:** Jenny Keigher, Director of Human Resources

**Reviewed By:** Pamela S. Reece, City Manager and Eric Hanson, Assistant City Manager

**Staff Recommendation:** Approval

**Attachments:** Proposed Resolution, Horton Group Scope of Services

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### Community Impact

A key element of the Town's strategy to recruit and retain top talent is to provide a competitive benefits package. By partnering with a high-performing and innovative insurance broker, the Town ensures that benefits stay affordable and attractive to current and potential employees. Ultimately, by retaining quality public employees, the Town provides the highest return on investment to taxpayers and the community at large.

### Budget Impact

The group insurance fund will have an annual expense of \$39,600 for consulting services. Funds are budgeted in the Group Insurance Fund, line item 616-1041-413.20-10, for broker services.

### Strategic Alignment



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## Background

The Town provides group insurance benefits for employees, dependents and retirees through a self-funded program. The Town began a self-funded program in 1980 and, for many years, utilized Gallagher Benefit Services (formerly Byerly and Company and then Gallagher Byerly) for insurance brokerage services. In early 2010, staff determined that it was in the best interest of the group insurance plan to conduct a review and selection process for insurance broker services; as a result of this process, Council accepted a two-year proposal from The Horton Group in June 2010. This agreement was extended for three years, culminating in a Request for Proposals (RFP) in April of 2015. As a result of the RFP process, staff recommended a three-year agreement with The Horton Group, which was extended for three years citing the Horton Group's excellent past performance. The current contract expires on July 1, 2021.

In anticipation of the expiration of this extension, and in accordance with generally accepted practices for municipal acquisition of services, staff issued a Request for Proposals (RFP) for insurance broker services. Interested brokers were instructed to provide information on their services by 3:00 p.m. on Friday, March 5, 2021. The RFP was published in the *Normalite*, and staff emailed the request notice to brokers who had previously expressed interest in working with the Town. The RFP indicated that the Town was exploring broker services and seeking information on broker services for the following lines of coverage:

- Medical and Rx
- Dental
- Life & AD&D
- Voluntary Life
- COBRA Administration
- Post 65 Retiree Carve-Out Program
- Future Voluntary Programs

Proposers were directed to provide a proposal addressing each of the following points: analysis and reporting; liaison and problem intervention; compliance; renewal process and evaluation; and other services, including wellness support, communications, and trend research.

Proposers were notified that the successful Broker would be chosen based on the Town's determination that the proposal can provide the best professional, safe, prompt, affordable, and thorough services to the Town and its citizens. Further, they were informed that the Town would review the Proposers' history for evidence of good organizational and management practices and would review the qualifications of the Proposers' personnel, their experience and past performance.

Following receipt of proposals, a sub-committee of the Employee Insurance Committee reviewed the proposals and conducted interviews with the five firms from which we received proposals.

## Discussion

Five firms responded to the RFP and were interviewed by the Committee:

- Van Gundy Insurance (Normal, IL)
- Clemens & Associates (Bloomington)
- Gallagher (Rolling Meadows, IL)
- Cottingham & Butler (Dubuque, IA)
- Horton Group (Orland Park, IL)

The employee review committee consisted of representatives from Parks and Recreation, Inspections, Facilities Management, Cultural Arts, Finance, Water, Library, Police, Human Resources, Public Works, and Administration. Interviews of the five firms occurred between March 19 and March 24. Following the interview process, the committee determined the top broker candidate as the Horton Group.

Over the past several years, this firm has been instrumental in coordinating various plan changes that have enhanced our insurance offerings and provided long-term, strategic direction to the benefit plan. Further, the Horton Group maintains working relationships with all of the major health care network providers and insurance vendors that are active in Central Illinois. Staff has been impressed with the level of service and responsiveness by Mike Wojcik and Beth Ishmael, two of the primary Horton Group consultants for the Town. The healthcare landscape has changed drastically since the partnership with this firm began, and Mr. Wojcik and Ms. Ishmael continue to provide expert consultation and assistance in meeting evolving compliance requirements.

The group voted unanimously to recommend to the City Manager that the Horton Group be retained for broker services for the employee group insurance benefit program.

The proposed Professional Services Agreement summarizes the relationship between the Horton Group and the Town. Horton has proposed a flat monthly fee with standard commissions on potential voluntary benefit programs to extend for a three-year period. Their proposed fee is \$3,300 per month (\$39,300 annually). This reflects an increase in cost from the current Professional Services Agreement with the Horton Group; costs are currently \$3,000 per month (\$36,000 annually). However, it is notable that the proposed fee of \$3,300 is less than the fee as negotiated in the 2010 contract which initiated our relationship with the Horton Group (which was \$3,720 per month). In other words, the current proposed rate is 11.29% less than the inception rate in 2010, despite an increase in the breadth of services provided since that time.

Staff recommends the Horton Group for an additional 36-month agreement due to their broad scope of services and their high level of customer service. For their fee, Horton will work with the Human Resources staff to administer the Town's medical and dental programs and to continually evaluate provider networks, life insurance vendors, flexible spending account managers and COBRA administration services. Plan administration has become more cumbersome in recent years through a rapidly changing medical and pharmacy insurance landscape. Staff is therefore eager to coordinate that program with a responsible, proactive vendor. The Horton Group will also work closely with Human Resources staff to manage claims, evaluate financial performance of the group benefit program, provide consultation on state and federal compliance matters, assist in employee open enrollment, assist in maintaining technology solutions in benefits administration and wellness offerings, and troubleshoot claims matters for employees.

The Scope of Services provided in the Horton Group's proposal reflects the emphasis that Horton places on strategic planning and market insight in plan management. Given funding challenges that have resulted from high-cost health claims and the rising costs of specialty pharmacy medications, Town staff see a benefit in partnering with the Horton Group to find strategic ways to "bend the trend" of rising healthcare costs. Horton's proactive approach and oversight aligns with the Town's need to limit health fund liability.

In addition to their core services, the Horton Group will coordinate with Human Resources staff to market, evaluate and assist with our comprehensive wellness program. Town staff have worked extensively with Horton's worksite wellness team during the past contract cycle to develop and improve wellness efforts and to drive return on investment. This team closely follows wellness trends among employers and provides assistance in the implementation of the Town's overall wellness strategy. The sustained success of the wellness program is key in offsetting rising claims costs and stabilizing the health fund. The Horton Group has been essential in the implementation and ongoing success of the current wellness program with Healthcare Interactive. Because Healthcare Interactive is a relatively new vendor via the Horton Group, approved by Council in August 2020, staff recommend maintaining brokerage services with our current vendor, and by extension, with Healthcare Interactive, to ensure the continued progress in improving employee health outcomes and minimizing claims costs to the health fund. The loss of Horton's services at this juncture could have a significant impact on the success of the wellness program.

Though the Horton Group is not local in the sense that they are not located in Bloomington-Normal, they do have active partnerships with many Illinois insurance carriers and public sector clients across the state. Of the five proposals, the proposed annual fees submitted by the Horton Group were significantly less than those quoted by other large, national respondents. Staff recommends the Horton Group for the depth and breadth of their services comparable to other proposers. Horton has a dedicated worksite wellness team, a marketing team, and underwriters on staff to provide reports and analysis that are not available locally to the same depth.

The Town of Normal has an established wellness program with extremely high levels of participation; the Horton Group's wellness approach is more robust than what was presented locally and is better aligned with the Town's goals. The approach is proactive, holistic, and focused on disease management outcomes to drive long-term savings in the employee insurance plan. The wellness program via the Horton Group coordinates with Blue Cross Blue Shield to provide real-time responses to high-risk claims and conditions to mitigate healthcare expenses and to facilitate appropriate medical responses to new health issues. This proactive approach to disease management via wellness was not apparent from local brokers. Additionally, the Horton Group has the advantage of having underwriters in-house to provide data and analytics on the insurance plan's demographics, claims, and risk trends. While local options are able to secure this information through third party resources and actuarial firms, there is a significant benefit to the Horton staff's ability to provide these reports quickly and to adapt analysis to the Town's needs. The Horton Group's dedicated underwriters know Town insurance plans and are able to gather meaningful information quickly whenever requested.

The size and scope of the Horton Group's team is more substantial than what was available locally; for each functional area (i.e. communications/compliance, benefit technology, marketing/analytics, wellness, etc.), the Town would have access to multiple professionals with industry experience assisting public sector clients. Because of the size and specialization of the team, the Horton Group can provide subject matter experts in each of these areas in-house as opposed to relying on a few individuals to topically cover highly diverse areas.

We believe that the Horton Group can best meet the Town's current health insurance consulting needs. Upon Council approval, they will immediately move forward to market the Town's medical, dental and life insurance program to providers, evaluating networks, life insurance providers, third party administrators, stop loss reinsurance providers and flexible spending plan administrators in order to coordinate the plan renewal for the upcoming plan year. Therefore, staff recommends approval of the resolution approving a professional services agreement with the Horton Group for insurance brokerage services for a three-year agreement.

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**Keywords:** Insurance, broker, the Horton Group, benefit program