

# Health Service System Announcement of Plan Year 2026 Life and Disability Benefits Request for Proposal

Health Service Board | November 14, 2024

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# Agenda

- Announcement of Life and Disability Benefits RFP
- Roles and Responsibilities
- Summary of Current Life and Disability Benefits
- Recent Rating Actions, Market Trends and Impact Assessment
- RFP Objectives
- Minimum Qualifications
- Potential RFP Respondents
- Life and Disability RFP Timeline
- Board Discussion
- Appendix

# Announcement of Life and Disability Benefits RFP for Plan Year 2026 (coverage beginning January 1, 2026)

SFHSS intends to issue a competitive bid (request for proposal or ‘RFP’) for the following life and disability benefits, with coverage beginning January 1, 2026:

- Employer-paid basic life and long-term disability (LTD) insurance coverages required through Union-negotiated Memoranda of Understanding (MOUs) for Active City and County of San Francisco and San Francisco Superior Court employees,
- Voluntary (employee-paid) supplemental life insurance,
- Voluntary (employee-paid) accidental death and dismemberment (AD&D) insurance, and
- Voluntary (employee-paid) supplemental short-term disability (STD) insurance.

# Roles and Responsibilities

## HSS

- Notify Health Service Board (HSB) of initiation of RFP (request for proposal) / formal solicitation for the selection of a primary service provider
- Determine scope, minimum qualifications to bid, questionnaire and scoring criteria
- Initiate and conduct the solicitation process/RFP
- Appraise HSB about the selection process
- Present selected vendor and rates to HSB for approval

## Health Service Board

- Initiate black-out period when notified of initiation of competitive process by HSS

## Summary of Current Life and Disability Benefits

Benefit	Carrier <sup>1</sup>	Contribution	Notes
Basic Life	Hartford	Employer-paid	\$50,000 - \$150,000 (varies by MOU)
Long-term Disability (LTD)	Hartford	Employer-paid	180-day elimination (60%); 90-day (66.6667%)
Supplemental Life	Hartford	Employee-paid	2
Accidental Death & Dismemberment (AD&D)	Hartford	Employee-paid	2
Short-term Disability (STD)	Manhattan Life	Employee-paid	2

<sup>1</sup> Carrier histories in Appendix; total annual spend (The Hartford) \$7M (City); \$1M (employees)

<sup>2</sup> Supp. Life, AD&D and Short-Term Disability insurance may be elected voluntarily by active employees with employer-paid basic life, including City and County of San Francisco and San Francisco Superior Court Employees, and certain collective bargaining groups. Supp. Life insurance and AD&D can be elected for employees and/or dependents.

## Life, AD&D, and LTD Insurances — Recent Rate Actions and Utilization

- There have been three (3) recent periods of three (3) year rate agreements with Aetna/Hartford since the start of 2017 (2017-2019, 2020, 2011-22, & 2023-2025).
- Insurance rates progression, 2017 to 2025:
  - Basic life insurance rate is 11.25% higher in 2025 than in 2017.
  - LTD insurance rates are 40% lower in 2025 than in 2017.
  - Employee-paid supp. insurance rates are at least 20% lower in 2025 than in 2017.
- Even with the rate reductions over time for LTD and supp. insurances, claim loss ratios (claims divided by premiums) remain favorable to the insurer—leading to potential to further reduce rates for all coverages via an RFP process.
- Annually, there are approximately 20 employee deaths and 35 new LTD claims.

## Life and Disability Insurance Market Trends

- **Digitalization of Life Insurance:** The life insurance sector is embracing digital innovation to enhance processes like underwriting, policy management, and customer engagement. Digital tools, data analytics, and online platforms are transforming how life insurance is delivered to policyholders.
  
- **High degree of market competition**
  
- **Market growth:**
  - % of adults reporting not having sufficient Life/LTD coverage
  - Health factors affecting life insurance quotes (open market)
  - % of adults overestimating the cost of a policy
  - % of Americans with life insurance

## RFP – Impact and Targeted Improvements

- Disabled employees as of December 31, 2025 will have no disruption.
- Consolidates short-term disability (STD) and long-term disability (LTD) administration which improves transition from STD to LTD.
- Opportunity to enhance performance standards and guarantees and to raise quality targets for administration and processing.
- Continue to match all union-negotiated terms for Basic Life and LTD.
- Dedicated and ongoing vendor support and resources to assist in administration of group life insurance and group disability policies.
- Consolidated and dedicated vendor-provided customer service for Basic Life, LTD, Supp. Life, AD&D and STD.



## RFP Objectives

- Maintain best-in-class service and support for Members and families
- No additional documentation requirements and no loss of coverage for Members and dependents
- Ensure sustainability through three-year rate and premium guarantees
  - Reduce employer-paid Basic Life and LTD monthly rate
  - Reduce premiums and increase enrollment for voluntary benefits
- Reduce complexity and streamline administration for Members such as collection of beneficiary designation forms, claim submission support and application & EOI review
- Member-friendly online portal for claimants and HSS
- Align short-term disability and long-term disability under one administrator
- Maintain high-value no-additional-cost services from carriers (e.g., bereavement support, grief counseling, financial counseling, will preparation, funeral planning, travel assistance, identity theft).

## Minimum Qualifications

- Respondent has ten (10) or more clients in excess of 20,000 lives for both Basic Life and LTD with at least two (2) being public sector entities within the past two (2) calendar years (CY2023 and CY2024).
- Match current (employer-paid) Basic Life design and provisions.
- Match current (employer-paid) Long-term Disability (LTD) design and provisions.
- Ability to provide and administer both Long-term Disability (LTD) and Short-term Disability (STD) coverage.
- Ability to provide dedicated ongoing off-site support and resources to assist HSS in the administration of the group life insurance and the group disability policies, and to assist eligible employees with voluntary benefit policies.
- No cross-subsidized rates.
- Ability to administer and send portability and conversion notices on behalf of HSS.
- Minimum financial rating by accredited agencies.

# Potential RFP Respondents

Potential RFP Respondents ( <i>alphabetical order</i> )	
Aflac	Prudential
The Hartford <sup>1</sup>	Reliance Matrix
Lincoln Financial	Standard
MetLife	UNUM <sup>2</sup>
New York Life	Voya <sup>3</sup>

<sup>1</sup> incumbent provider of basic and supplemental life, LTD, and AD&D.

<sup>2</sup> provider of LTD prior to 2013 plan year

<sup>3</sup> current City and County of San Francisco deferred compensation plan service provider.

## Life and Disability (PY2026) RFP Timeline — Activities to-date

Timeline	Steps
July-Aug. 2024	Assess market, trends, provider landscape; survey current HSS life and disability benefits; review rating actions and premium trends.
August 8, 2024	Annual Benefits Contract Evaluation and Assessment (HSB)
Aug.- Sept. 2024	Assemble internal and external subject-matter experts to develop scope, minimum qualifications, questionnaire and scoring criteria
Sept. 12, 2024	Life and Disability Update - Director's Report (HSB)
Sept.- Nov. 2024	Finalize minimum qualifications, questionnaire and scoring criteria

## Life and Disability (PY2026) RFP Timeline — Going forward

Month(s)	Activity
By Early Dec. 2024	<b>Release RFP</b> (public-facing document); notify prospective qualified bidders; collect intentions to bid; release census and experience data
January 2025	Post responses to submitted written questions from prospective bidders and stakeholders
January 2025	Receive and review of non-financial proposal components by evaluation panel; receive and review of financial proposals, rates and premiums by Aon lead actuary
February	Oral interviews; final scoring
March 13, 2025	Presentation of selected vendor to HSB and approve rates
April 2025	Begin transition and Member support (if applicable)
June – July 2025	Include in Rates and Benefits package to BoS for approval
Sep. – Oct. 2025	Open Enrollment; Member outreach and education
January 1, 2026	Coverage go-live

# Board Discussion

# Appendix

# Appendix — Benefit RFP Processes and Procedures

## Assessment and Public Presentation of Proposed Scope

- Comprehensive market, benefit, trend and member-impact assessment following prior year renewal process (August – September)
- Consideration of formal non-binding Request for Information (RFI) to inform future RFP scope
- Presentations to the HSB (August through December) and public comment

## Defined Scope

- Defined minimum qualifications, questionnaire, scoring criteria prior to RFP release.

## Transparency, Impartiality, Confidentiality of City/Benefit Data

- Communications Black-out Period (combined with annual renewal black-out period)
- All communications in writing and via email to HSS Contracts Unit
- Mutual confidentiality/non-disclosure agreements with prospective bidders prior to release of data
- Provide benefits and population data necessary to respond to the RFP and provide competitive rates, premiums and services (Competition Model)
- Evaluation panel comprised of experts in the subject-matter of the RFP:
  - No more than 50% of panel members from HSS
  - Execute impartiality and conflict of interest disclosure statements with panel members
  - Collaborative discussions and analysis by full panel over multiple weeks



## Appendix — Benefit RFP Processes and Procedures (cont.)

### Addenda and Requests for Clarification Process

- Formal written question submission process from prospective bidders and stakeholders
- All submitted questions answered in formal Addenda, posted publicly to SFHSS.org
- Written request for clarification process with qualified bidders

### Oral Interviews

- Top three (3) to four (4) bidders following financial and non-financial scoring
- Identical format and questions
- Provided live/in real-time to key members of proposed account team (as applicable, account, executive and implementation leads, account team subject-matter experts, lead actuary)
- Hypothetical and problem-solving questions based on historical and/or expected vendor challenges managing and adjudicating Member claims
- Mirror format of HSB and Board of Supervisors public meetings, presentations and live Q&A

### Alignment with Rates and Benefits Calendar

- Parallel and siloed annual benefit renewal process; prevents any disruption in benefits; in the event of RFP delay or suspension, annual renewal of existing benefits would be presented to HSB.
- Failure to exclude RFP from annual renewal or vice versa shall be grounds for rejection of bid.

## Appendix — Comparison of Request for Information (RFI) and Request for Proposal (RFP)

- HSS may formally invite administrators or carriers to respond to a written Request for Information or RFI.
- The RFI may clarify a future RFP’s scope or assess interest to bid.
- An RFI is not a prerequisite for an RFP, nor is an RFP required following an RFI.
- An RFI differs from an RFP in several ways:

	RFI	RFP
<b>Scope</b>	Broad, forward-looking	Narrowly-tailored
<b>Timeline</b>	Two (2) to Three (3) Months	Six (6) to Nine (9) Months
<b>Financials</b>	Voluntary	Mandatory
<b>Process</b>	Fact-finding, open discussion, fewer restrictions on participation	Evaluation panel and scoring, SFHSS recommendation to Board
<b>Binding</b>	No	Yes
<b>Possible Result(s)</b>	Issue RFP, delay RFP, future market assessments	Executed agreement; multiple-year rate/premium commitment(s).

## Appendix — Carrier History

- Basic Life and LTD is currently provided by The Hartford
  - RFP for Basic Life and LTD PY2013 (Aetna)
  - Hartford acquired Aetna Life/LTD book of business in 2017.
  - Official conversion to Hartford for PY2020.
  - Current rates based on three-year commitment (2023 – 2025).
  - Prior to 2013, ING (for Life) and Unum (for LTD)
  
- Supplemental Group Term-Life currently provided by The Hartford and administered by our voluntary benefits administrator Workterra
  - Prior to 2020 through Aetna and administered by Workterra
  
- Accidental Death and Dismemberment currently provided by The Hartford and administered by our voluntary benefits administrator Workterra, since 2021
  - Prior to 2020 through Aetna and administered by Workterra
  
- Short-term Disability currently provided by Manhattan Life and administered by our voluntary benefits administrator Workterra, since 2021
  - Prior to 8/1/2021 through Kansas City Life and administered by Workterra