

AGENDA ITEM SUMMARY

December 17, 2019

City Council

STAFF

Joaquin Garbiso, Sr. Manager, Benefits
Ryan Malarky, Legal

SUBJECT

Resolution 2019-116 Approving the Purchase of Health Services from Marathon Health, Inc. as an Exception to the Competitive Purchasing Process.

EXECUTIVE SUMMARY

The purpose of this item is to request Council authority to extend the existing agreement with Marathon Health under RFP 7512 On-Site Employee Wellness Clinic for two additional one-year terms. In alignment with Larimer County, staff will begin the RFP process the first quarter 2021 for a January 1, 2022 contract.

This exception will follow the process set forth in Code Section 8-161(d)(2-4):

- A. The Purchasing Agent shall submit each determination made under this Subsection (d) to the City Manager, who shall approve or reject the procurement.
- B. The City Manager shall submit all procurements under this Subsection (d) which exceed a cost of two hundred thousand dollars (\$200,000.) to the City Council in an open meeting for final approval.
- C. Any procurement approved under this Section by the City Manager or the City Council may be used as the basis for a negotiated purchase of additional quantities of the same materials or services at any time within a period of five (5) years from the date of approval; provided, however, that subsequent procurements may be expressly limited to a specific number of purchases or a period of less than five (5) years.

STAFF RECOMMENDATION

Staff recommends adoption of the Resolution.

BACKGROUND / DISCUSSION

In 2015, the City conducted an RFP process, 7512 On-Site Employee Wellness Clinic, to establish an on-site medical clinic for employees, with the intention of improving overall employee health, medical accessibility, and reducing medical costs to the City. Marathon Health was selected to create a best in class, on-site clinic for our employees and their family members. In 2017, Marathon Health provided an annual review to leadership which resulted in a request to review and identify costs associated with the clinic as it relates to a potential return on the City's investment. Beginning in 2018, benefits consultant, HUB International, was engaged to review a return on investment (ROI) analysis related to redirected care. Utilizing data from this analysis, staff collaborated with Marathon Health to review the data and discuss opportunities, goals and metrics for enhancing clinical outcomes, increased capabilities, and alignment with the City's health and wellness programs. This collaborative process successfully led to the development of a defined roadmap for the clinic into 2020 through 2021. In order to properly evaluate the value of the on-site clinic in meeting the City employee needs and also its alignment with the City's benefits strategy, staff recommends extending the existing Agreement with Marathon Health through the end of 2021.

Additionally, changes in the health care climate in the Front Range have the potential to significantly change the medical benefits market over the next few years. Knowing that these changes are coming, the City is partnering with Larimer County, which also utilizes services from Marathon Health, to share data and identify any potential partnerships. This collaborative effort will aide both organizations in identifying opportunities for improvement and cost savings. Staff intends to capitalize on this collaborative effort in the development and implementation of the new on-site clinic RFP in the first quarter 2021, with the intention of entering into a new agreement from the process effective January 1, 2022.

CITY FINANCIAL IMPACTS

- (1) The benefit's team does not have the bandwidth for the adequate development and completion of a competitive process (RFP) for these services in light of other competitive benefits processes necessitated in 2019 (Vision, Dental, Employee Assistance Program, and Retirement Fund Actuarial Services, etc).
- (2) Marathon Health has agreed to keep our Annual Service fee locked at the 2019 rate for 2020 for an anticipated expenditure of \$850,000. This would waive the annual 2% increase which has applied to prior renewal year under our agreement. Marathon is also willing to negotiate its fees for 2021.
- (3) Obtaining additional information on clinic performance and utilization over this time period, along with collaborative efforts with Larimer County, will result in improved services and cost savings through the new RFP process planned for 2021.

RESOLUTION 2019-116
OF THE COUNCIL OF THE CITY OF FORT COLLINS
APPROVING THE PURCHASE OF HEALTH SERVICES FROM MARATHON HEALTH,
INC. AS AN EXCEPTION TO THE COMPETITIVE PURCHASING PROCESS

WHEREAS, Section 8-161(d)(1)(b) of the City Code authorizes the Purchasing Agent to negotiate purchases of materials, professional services and services without utilizing a competitive bidding or proposal process when the Purchasing Agent determines that although there may be more than one source, the competitive process cannot reasonably be used, or if used will result in a substantially higher cost to the City, will otherwise injure the City's financial interests or will substantially impede the City's administrative functions or the delivery of services to the public; and

WHEREAS, the City has offered employees and their families health services at an onsite wellness clinic provided by Marathon Health, Inc. ("Marathon") since August 8, 2014; and

WHEREAS, the City's current agreement with Marathon will expire on January 14, 2020; and

WHEREAS, in coordination with Marathon and the City's benefit consultant, HUB International, City staff has undertaken a review of the costs and return on investment with respect to the wellness clinic, and identified opportunities to enhance clinical outcomes, increase capabilities, and align the clinic more closely with the City's health and wellness programs; and

WHEREAS, this collaborative process has resulted in a defined roadmap for the clinic into 2020 and 2021; and

WHEREAS, Marathon has agreed to waive its right to an annual 2% increase on its annual service fee, meaning Marathon will provide services in 2020 at its 2019 rates, and is willing to negotiate its fees for 2021; and

WHEREAS, the anticipated total expenditure for Marathon's services in 2020 are anticipated to be \$850,000; and

WHEREAS, City staff is recommending that Council grant the Purchasing Agent authority to extend Marathon's agreement for two additional one-year terms, which will allow City staff the time to properly evaluate the value of the wellness clinic in meeting the City's benefits strategy and employee needs; and

WHEREAS, the Purchasing Agent has determined that, although there may be more than one responsible source for health services at the wellness clinic, the competitive process, if used will result in substantially higher costs to the City, would injure the City's financial interests by interfering with the City's ability to fully evaluate the clinic in light of its costs and the City's employee wellness goals, and would otherwise substantially impede the City's administrative functions as the City's benefits team undertakes the development of competitive processes for identifying providers for other employee health and retirement benefits; and

WHEREAS, Section 8-161(d)(3) of the City Code requires City Council's prior approval for this purchasing approach when the procurement exceeds \$200,000.

NOW THEREFORE, BE IT RESOLVED BY THE COUNCIL OF THE CITY OF FORT COLLINS as follows:

Section 1. That the City Council hereby makes and adopts the determinations and findings contained in the recitals set forth above.

Section 2. That the City Council hereby approves the purchase of health services from Marathon Health, Inc., as an exception to the City's competitive purchasing process requirements for the reasons set forth herein, and authorizes the Purchasing Agent to extend the current agreement for up to two (2) one-year terms.

Passed and adopted at a regular meeting of the Council of the City of Fort Collins this 17th day of December, A.D. 2019.

Mayor

ATTEST:

City Clerk