



Memo

**Date:** January 23, 2013

**To:** Board of Directors

**From:** Neil McFarlane

**Subject:** **RESOLUTION 13-01-05 OF THE TRI-COUNTY METROPOLITAN TRANSPORTATION DISTRICT OF OREGON (TRIMET) RATIFYING AND AUTHORIZING A CONTRACT WITH OREGON DENTAL SERVICE FOR ADMINISTRATIVE SERVICES**

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**1. Issue or Purpose of the Item.**

The purpose of this item is to request that the TriMet Board of Directors (Board) ratify and authorize the General Manager to execute a contract with Oregon Dental Service (ODS) for administrative services for TriMet's employee and retiree self-insured dental benefits program.

**2. Reason for Board Action.**

Board approval is required for personal services contracts obligating TriMet to pay an amount in excess of \$150,000.

**3. Background.**

TriMet provides comprehensive dental benefits for all employees, eligible dependents, and retirees. TriMet has determined that self-insuring dental benefits would provide significant cost savings with manageable downside risk compared to a fully insured product. The estimated annual cost savings from self-insuring is \$74,913. Consequently, TriMet transitioned its dental benefits, from fully insured to self-insured status effective January 1, 2012.

Through the assistance of Mercer, TriMet's benefits consultant, TriMet retained ODS to provide administrative services for TriMet's newly transitioned self-insured dental benefits program, effective January 1, 2012. In its role as administrator, ODS provides the following services for TriMet:

- Preparation of written summary plan descriptions, amendments and modifications
- Customer service to answer eligibility, benefits and claims questions about the plan
- Determination of the qualification of claims submitted and investigation as may be necessary
- Payment of qualified claims in accordance with the plan
- Preparation of reports and maintenance of records
- Services to obtain refunds and payment through reasonable recovery efforts when a member receives a recovery from a third party

Retaining ODS to perform these services was in TriMet's best interests, as ODS is TriMet's dental benefits plan provider, and provides TriMet the continuity required for administration of its dental

benefits plan. ODS provides a stable source for administering our dental benefits and allows us to provide the level of benefits negotiated in the current ATU Working and Wage Agreement, without any changes for the employees.

Finalizing complete ODS contract language by the parties has only recently been concluded; however, because there could not be a gap in dental benefits coverage, TriMet and ODS have been operating since January 1, 2012 without an executed contract. Therefore, the contract for these services is retroactive to January 1, 2012, with an initial term of January 1 through December 31, 2012, and two additional one-year options exercisable by TriMet.

ODS's contract prices have been determined to be fair and reasonable based on the market. The estimated total amount of the three-year contract is \$638,496. The final total contract amount will be based on the actual number of employees and retirees participating in the ODS dental benefits plan. While the number of ODS plan participants will vary during the contract term, the per-employee per month cost is a fixed price for each year of the contract, as set forth below:

	<b>Per employee Per Month Cost</b>	<b>Estimated # of employees/retirees</b>	<b>Estimated Monthly cost</b>	<b>Estimated Annual Administrative Services Cost</b>
Initial Term – 2012	\$5.56	3128	\$17,392	\$208,704
First option year - 2013	\$5.67	3128	\$17,736	\$212,832
Second option year - 2014	\$5.78	3128	\$18,080	\$216,960
<b>Estimated Total</b>				<b>\$638,496</b>

#### **4. Options.**

The Board may elect not to adopt this Resolution, however, the only recommended option is for the Board to ratify the retroactive ODS contract and authorize the General Manager to exercise the contract options. Adoption of the Resolution would ensure the required continuity of TriMet's dental benefits plan administrative services, at prices that have been determined to be fair and reasonable based on the market.

#### **5. Recommendation.**

The General Manager recommends approval of the Resolution.

## **RESOLUTION 13-01-05**

### **RESOLUTION OF THE TRI-COUNTY METROPOLITAN TRANSPORTATION DISTRICT OF OREGON (TRIMET) RATIFYING AND AUTHORIZING A CONTRACT WITH OREGON DENTAL SERVICE FOR ADMINISTRATIVE SERVICES**

**WHEREAS**, TriMet has authority under ORS 267.200 to execute a one year contract with two additional one-year options with Oregon Dental Service for dental benefits administrative services (“Contract”); and

**WHEREAS**, the total amount of the Contract shall exceed \$150,000; and

**WHEREAS**, the TriMet Board of Directors (“Board”), by Resolution dated November 25, 2009, adopted a Statement of Policies requiring the Board to approve personal services contracts obligating TriMet to pay in excess of \$150,000;

#### **NOW, THEREFORE, BE IT RESOLVED:**

1. That the Contract shall be in conformance with applicable laws.
2. That the Board hereby ratifies the Contract and authorizes the General Manager to execute the Contract.

Dated: January 23, 2013

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Presiding Officer

Attest:

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Recording Secretary

Approved as to Legal Sufficiency:

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Legal Department