



Memorandum

TO: HONORABLE MAYOR
AND CITY COUNCIL

FROM: Jennifer Schembri

SUBJECT: SEE BELOW

DATE: September 7, 2021

Approved

Date

09/09/21

SUBJECT: AMENDMENT TO THE VENDOR AGREEMENT WITH MANAGED HEALTH NETWORK FOR EMPLOYEE ASSISTANCE PROGRAMS (EAP) AND CRITICAL INCIDENT STRESS MANAGEMENT BENEFITS AND MHN SERVICES, LLC FOR SUBSTANCE ABUSE TREATMENT

RECOMMENDATION

Adopt a resolution authorizing the City Manager to negotiate and execute an Amendment to the Vendor Agreement with Managed Health Network for employee assistance programs (EAP) and critical incident stress management (CISM) benefits, and MHN Services, LLC for substance abuse treatment, extending the term of the Agreement from December 31, 2021 to December 31, 2022, and increasing the not to exceed Agreement amount from \$2,346,114 to a revised not to exceed amount of \$3,006,639, subject to the appropriation of funds.

OUTCOME

Council approval of the recommendation will result in a one-year extension of the Agreement with Managed Health Network to provide employee assistance programs and critical incident stress management benefits and MHN Services, LLC for substance abuse treatment.

BACKGROUND

Managed Health Network and MHN Services, LLC (collectively “MHN”) has been the City’s vendor providing EAP, CISM and substance abuse treatment benefits for many years, with the most recent contract from January 1, 2017 through December 31, 2021, resulting from an RFP that was conducted in 2016. MHN was the sole bidder for the EAP RFP. With the City’s requirement of unlimited counseling sessions for the sworn population, other vendors in the marketplace were not willing to bid, citing inability to meet the City’s requirements, match the current plan design or network, and/or offer competitive pricing.

The current MHN Agreement, covering calendar years 2017 through 2021, includes a not to exceed amount of \$2,346,114. This amount was determined in 2016 based on projections for EAP enrollment and CISM services for the 5-year term. Since 2016, there has been continual growth in the employee population resulting in enrollment increases year over year; more than originally projected. Additionally, when the not to exceed contract estimate was calculated in 2016, substance abuse treatment costs were not included as noted in the Council Memo as these costs were indeterminate and would be borne by the Department of the employees utilizing the services. As such, the not to exceed amount of the current Agreement will be exceeded.

During these conversations, MHN also initially advised they would no longer offer unlimited counseling sessions after the contract expiration on December 31, 2021.

ANALYSIS

Staff evaluated the EAP utilization data focusing on the number of sworn employees using the EAP benefit and the number of counseling sessions used by both sworn employees and their dependents. Overall, the utilization was low. Staff began discussions with the Office of Employee Relations and sworn Union representatives to evaluate the need for unlimited EAP services and also to explore mental health options through the City's wellness initiative, which would include the behavioral health benefits offered under the City's medical plans with Kaiser and Anthem Blue Cross. In addition, Staff is exploring other options including supplemental mental health products such as digital behavioral health through an app that is coming to the marketplace shortly.

Staff determined that further investigation and discussions were needed prior to issuing a new RFP. Staff approached MHN with a request to extend the current contract for one year, retaining unlimited counseling sessions for sworn employees. MHN agreed to a one-year extension under the same terms and conditions including retaining unlimited counseling sessions for sworn employees and guaranteeing the current rates through the extended contract period ending December 31, 2022.

CONCLUSION

To ensure the continued delivery of EAP, CISM and Substance Abuse benefits, Staff recommends adoption of a resolution authorizing the City Manager to negotiate and execute an Amendment to the Agreement with MHN extending the term through December 31, 2022. An RFP will be conducted in early 2022 for a new contract effective January 2023.

EVALUATION AND FOLLOW-UP

This project addresses the Human Resources' performance measure of the cost of benefits administration and operations per budgeted full-time employee. The Employee Benefits Division of Human Resources ensures that the City of San Jose employees and retirees receive high quality and cost-effective benefits by subjecting benefit plan providers to regular competitive processes.

CLIMATE SMART SAN JOSE

The recommendation in this memo has no effect on Climate Smart San José energy, water, or mobility goals.

PUBLIC OUTREACH

This memorandum will be posted on the City's website for the September 14, 2021 City Council Agenda.

COORDINATION

This memorandum has been coordinated with the Office of the City Attorney and City Manager's Budget Office.

COMMISSION RECOMMENDATION/INPUT

No commission recommendation or input is associated with this action.

COST SUMMARY/IMPLICATIONS

The increase in the total maximum compensation of \$660,525, from \$2,346,114 to \$3,006,639 is attributable to: 1) \$116,525 due to increase enrollment levels and substance abuse treatment costs through December 31, 2021; and 2) \$544,000 related to the one-year extension from January 1, 2022 through December 31, 2022, and includes the estimated annual premium of \$504,000 and an estimated amount for CISM and Substance Abuse Treatment Services of \$40,000. EAP premiums for the 2022 calendar year will continue at the 2021 rates and is paid from the Benefits Funds; there will be no premium increases. Actual contract costs will vary based on enrollment and utilization of CISM and Substance Abuse Treatment services, which will be paid within individual department budgets.

HONORABLE MAYOR AND CITY COUNCIL

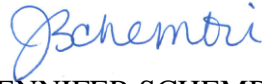
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CEQA

Not a Project, File No. PP17-003, Agreements/Contracts (New or Amended) resulting in no physical changes to the environment.



JENNIFER SCHEMBRI

Director of City Manager's Office of Employee Relations

Director of Human Resources

For questions please contact Emily Hendon, Benefits Manager, (408) 975-1448.