TO: HONORABLE CITY COUNCIL

FROM: CITY MANAGER DEPARTMENT: HUMAN RESOURCES

DATE: NOVEMBER 17, 2008 CMR: 424:08

REPORT TYPE: CONSENT CALENDER

SUBJECT: Approval of an Amendment to Contract C06115547 with Delta Dental to Extend the Term for an Additional Three Months and Add $23,112 for a Total Not to Exceed Amount of $328,112 for Claims Administration Services for the City of Palo Alto’s Self-Funded Dental Plan

RECOMMENDATION

Staff recommends that Council approve and authorize the City Manager or designee to execute the attached contract amendment extending the City’s existing three-year contract with Delta Dental for the provision of claims administration services for the City of Palo Alto’s self-funded dental plan. The amendment would extend the contract for an additional three-month period and increase the amount of the contract by $23,112 to cover premium costs through December 31, 2008 for a total not to exceed contract amount of $328,112.

DISCUSSION

Beginning October 1, 2005, the City entered into a three-year contract with Delta Dental for dental claims administration, saving the City approximately $61,954 annually in premium costs per year compared to the previous administrator. The additional three months proposed in this amendment would increase the total contract amount from $305,000 to $328,112 in the third year of the contract. The premium cost per employee per month for this year of the contract increased by five percent (5%) as provided in the contract. However, the cost per employee per month for this three month extension period will decrease due to a change in the City’s benefits broker that allows the City to obtain an improved pooled contract rate.
Staff is requesting that an additional $23,112 be added to the contract to extend the existing contract for a period of three months. Staff has issued a Request For Proposal (RFP) to solicit bids for dental claims administration services to ensure that rates are cost competitive and to determine if the City’s claims administration can be improved. The additional three months will allow staff sufficient time to review proposals and to select a vendor by January 1, 2009. The requested extension will also allow the term of the new contract to change to a calendar-year period, which is preferable to staff to effectively manage the renewal process with the benefits broker and claims administrator.

**RESOURCE IMPACT**

Funding for this contract amendment is provided in the 2008-2009 budget.

**POLICY IMPLICATIONS**

This request is consistent with current Council policy direction.

**ENVIRONMENTAL REVIEW**

This is not a project requiring review under the California Environmental Quality Act (CEQA).

**ATTACHMENTS**

A: Amendment No. One to Agreement No.C06115547  
B: Agreement No. C06115547

PREPARED BY:  Sandra T.R. Blanch, Assistant Director, Human Resources

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Russ Carlsen  
Director of Human Resources

CITY MANAGER APPROVAL:  
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James Keene  
City Manager