

Purchasing power: 10 steps to streamlining your RFP process

By Patrick J. Haraden

June 1, 2009

As employers continue to deal with increasing federal and state regulations, fiduciary obligations, threats of litigation and a shrinking employee benefits vendor pool, they must fundamentally change the way they purchase employee benefits.

A well-crafted, efficient request for proposal process will allow the employer to meet its obligations while allowing vendors to respond to the employer's request in an efficient and thorough manner.

Most employers have embraced one of two procurement methods for their employee benefits vendors. Large companies typically hire consultants that use three-inch-thick binders full of questions and forms for an RFP. Their vendor-selection process typically takes three to six months. Small employers get proposals from vendors by simply sending a census and their current plan designs and rates.

Neither process is efficient, fair or beneficial for employers or their employees. The best practice lies somewhere between the overkill of the first method and the skimpiness of the second.

Here are the top 10 ways to ensure a better RFP process:

1. Use a standard RFP template—no more than 10 pages.

The three-inch-thick binder looks impressive, but it just puts off vendors. Your RFP template should be concise. Employee benefits vendors are more willing to respond favorably if they see a consistent RFP template in which they can insert their standard responses. A customizable section is included to explain the uniqueness of a particular employer's benefit plans and customized bid forms. There is enough readily available information on the prospective vendors, and you will have more details regarding the vendor's finances, customer service and other issues, so there is no need to ask the vendors for this.

2. Don't issue an RFP every year.

Outside of health insurance, most employee benefits can be locked in for multi-year contracts and rates. This gives the vendors some certainty and will provide an incentive for better service and commitment from their senior management in return for locking in a long-term client. For public employers and other entities that require competitive bidding annually, it still makes sense to try to make some of the RFP elements multiyear (e.g., plan design, plan offerings, contribution strategy) and just bid the rating of the plans annually.

3. Conduct a bidder's conference or conference call.

If nothing else, this shows your current vendor and the prospective bidders that there is interest in your programs, and you are seriously looking for creative proposals. It also is a good forum to explain any unique requirements, answer questions and ensure that all vendors get a consistent message.

4. Give vendors enough time to respond, but don't let them take too long.

One month is sufficient. You want to use the RFP process to gauge a vendor's responsiveness, creativity, use of resources and ability to produce a deliverable under controlled conditions and timing. Make the response time too short, and some vendors won't respond, or you risk not getting all of the

information to assist your decision-making process. If one vendor is given an extension of time, all vendors should be given the same extension.

5. Provide all questions and answers to all vendors.

In the spirit of fairness, all vendors should be provided a document with the questions and the responses. There should be a cutoff for questions, usually two weeks after the RFP is issued. Irrelevant questions or questions not related to the RFP or the vendor's response should be acknowledged, but not responded to.

6. Conduct finalist interviews.

There is no substitute for a face-to-face meeting with your current and/or prospective vendors' sales, service and/or senior management teams. Standardized questions can be used to provide for comparable scoring of vendors. The interview also provides an opportunity to learn about the culture, personalities and capabilities of the vendor and its people.

7. Incorporate the RFP response into the final contract.

Ensure that the response rates, plan design, implementation schedule and other guarantees and confirmations are reflected in the contract. Have all vendors acknowledge any supplemental documents that are issued after the RFP, such as addenda, finalist interview responses and implementation dates.

8. Negotiate performance guarantees.

Specific performance guarantees have two functions in the RFP/procurement process. First, they are used to ensure that the vendor gives the account the proper attention. Second, they are the employer's only recourse when a vendor does not perform, other than issuing another RFP or breaking the contract.

9. Use objective outside employee benefit professionals.

Their expertise, use of automated tools and specific experience is invaluable in the process. Most brokers include the RFP process in their standard service offering paid for by commissions, so it doesn't cost you anything extra. If you prefer to receive fixed-fee pricing for the RFP process, the consultant should be able to offer it.

10. Incorporate enough time for a proper implementation.

Depending on the line of coverage, anywhere from two to four months is needed for a proper implementation. Most problems for employees occur because implementation was done poorly or too quickly.

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