

# SEARCH AND REPLACE?

When to employ an RFP and what's involved.

BY ALEX DIEMER

**A**s a plan sponsor, you have likely lived through at least one request for proposal (RFP) process—for payroll, insurance services, actuarial or benefits consulting, recordkeeping or administration services. And from your experience, you have likely asked the following questions:

- Why do I need to do this?
- What do I need to include? and
- How do I evaluate an RFP?

While a benefits or pension plan RFP for changing providers will follow some of the same criteria, here is some practical advice on how you can improve the process specifically.

## Why You Need an RFP

In order to make sound business decisions, organizations are using the RFP process to ensure that they have the most up-to-date information on benefits and pension solutions and costs in the marketplace. Nowadays, many HR departments' buying decisions tie into other areas of the business, and they need to be completed in a more strategic fashion in order to leverage the company's purchasing power.

Organizations also need to feel confident that their partner selections benefit their plan membership for the short and long terms. This may mean using an RFP to focus internally to confirm previous decisions, review past practices and evaluate your current service model to ensure that these decisions still maximize the value for your organization. Or, it may mean using an RFP with the intention of making a provider change.

By going through an RFP and inviting multiple providers to



participate in the process, organizations hope to realize a broader and more creative range of solutions. By taking the time to document your organization's needs in detail, you will help to ensure that you receive quality bids from suppliers and a fair breakdown on costs and value for the services.

And, by following a structured evaluation and selection procedure, an organization can demonstrate impartiality and strong governance principles. This includes debriefing with firms that did *not* acquire your business. This is a valuable exercise for both you and the suppliers as you will assist in increasing the competitiveness of the marketplace with objective and candid feedback.

### What to Include

There are practical reasons why the RFP process should not be used for every buying process. Depending on the services required and the complexity, costs of running an RFP can be quite significant in both hard dollars and the soft costs associated with your team's time. It is also a labour-intensive process to create, manage and evaluate. Many organizations seek a third-party firm to support them through the process to ensure that they're getting value.

Following are a few RFP preparation tips to help you avoid weak and/or few responses from providers.

### 1) Make your requirements clear

Ambiguous requirements will make it very difficult to compare the responses from various service providers. By not stating the exact deliverables you are expecting, you are leaving it to each provider to assume a certain level of detail that is included or excluded. This can lead to unexpected surprises after you have selected your vendor of choice. For example, many organizations ask for implementation support for a program but do not specify what that should include: for example, meetings with the vendor, meetings with the client, frequency and duration, employee training, pricing reviews, contact and booklet reviews and number of reviews.

Thus, Vendor No. 1 may assume 10 hours of work within its quoted fees, while Vendor No. 2 assumes 100 hours. Neither is necessarily wrong, but the lack of specifics makes it difficult for the plan sponsor to understand why there can be such a variance in costs. If you elect Vendor No. 1 in this situation, you may get presented with a large out-of-scope charge that you have not budgeted for and were not expecting. Similarly, if you elected Vendor No. 2, you may be paying for services that you expected to perform yourself or assumed would require less time and, therefore, question the value of the services paid for.

As part of the RFP process, many organizations have started to hold bidder meetings, where all participating vendors may elect to come and ask questions at the same time. This allows you the opportunity to share more detail and insight about your organization and what is important to you in this process, and to ensure that everyone is getting the same consistent message.

### 2) Provide a pricing framework

The second area of the RFP that should be very explicit is the pricing framework. If you are going to spend the time documenting your deliverables, then ensure that you provide a solid framework for the pricing response. If you allow service providers to create their own pricing framework, you will receive unique pricing models from each of the responders, which will make it

very difficult for you to evaluate comparable services.

Be clear on separating implementation, one-time versus ongoing, fixed versus transactional, head count versus annual fees, all-inclusive versus expected pass-through costs, hourly rates for out-of-scope work, etc. If there is piecework or fees based on anticipated volumes, ensure that you provide those volumes and transactional numbers to ensure equal comparisons.

### 3) Consider value-added services

If possible, plan sponsors should talk to other service providers *before* they issue an RFP. Invite a few firms in to present to you or discuss what they see are critical moving points in the industry today.

From a group benefits perspective, you may be interested to better understand:

- how much choice plan sponsors are offering to their employees;
- how organizations are managing their exposure to biological drugs;
- how you control absence costs in a non-medical model;
- what the real cost of stress and mental claims is on your benefits; and
- how you can leverage your group benefits/employee assistance program and wellness strategy into positive outcomes for employees and the organization.

A few pension examples may include the following:

- savings or income: how are your defined contribution (DC) plans viewed?
- investment horizon: how far should you look?
- in-house defined benefit administration: is this viable long term?
- how many and what type of investment funds should you offer through your capital accumulation plans? and
- what tools are available to get employees more active in their retirement planning?

This can help you shape your RFP to ensure that what you're asking for is reasonable for what you are expecting to pay and is available and valued in the marketplace today.

Many organizations are choosing to add this step to their informal RFP process as many firms do not contact providers during the RFP process. By holding these informal presentations in advance, organizations can refine the service offering or methodology they may be expecting.

If you don't get to do this in advance, then you may want to include a "what's missing" question: what core services were you expecting that are not explicit? This will allow vendors to showcase their uniqueness and also help you to ensure that your RFP process is complete and you're getting value.

### How to Evaluate

Some organizations are surprised when they issue a 25-page RFP and then receive responses from 17 suppliers—each 60 to 80 pages long. (How can we tell the difference? What should we look for? We don't have time for this!)

To avoid this problem, some organizations are issuing a Request

## BY GOING THROUGH AN RFP AND INVITING MULTIPLE PROVIDERS TO PARTICIPATE IN THE PROCESS, ORGANIZATIONS HOPE TO REALIZE A BROADER AND MORE CREATIVE RANGE OF SOLUTIONS.

for information *prior* to the actual RFP. This is a mini RFP with a very structured format that addresses some key or mandatory criteria. This allows organizations to filter which organizations they wish to accept responses from. Even though this may seem like an additional step, it can be very beneficial in ensuring you spend your quality time on providers that can actually provide services in the fashion you expect.

In order to effectively and efficiently evaluate pension- or benefits-focused RFP responses, you must identify evaluation criteria from the onset: what is important to your organization as part of the selection process? Consider the following:

- organizational size and breadth;
- lines of business;
- local versus global presence;
- thought leadership and innovation;
- service model to support you;
- personnel and experience;
- similar clients and projects completed; and
- type of fees.

Determining in advance what is important to you and having weighted criteria will allow you to make an objective evaluation of the RFP responses. Some consideration may be given to mandatory versus optional or nice-to-have requirements and experiences. Regardless, you must ensure that the questions in your RFP allow service providers to articulate their solutions and experience to you in a clear and thorough fashion, and also reflect the weighting you are assigning to the criteria.

Avoid asking questions in areas to which you will give little weighting or will have no impact on your decision. Also, ensure that you are not asking the same question numerous times, just in different ways, in different sections or, worse, in a conflicting manner.

By establishing a criteria in advance, you will ensure that you will use an objective process in selecting a provider that can complete the tasks you want done, in a manner you want to work in and at a price you want to pay.

At key times, the RFP is a necessary evil to determine who the best partner is for your organization. A well-crafted, efficient RFP process will allow the plan sponsor to meet its obligations while allowing vendors to respond to the employer's request in an efficient and thorough manner.

However, it isn't until the finalist presentations, site visits and face-to-face meetings that you're going to know whether or not the provider on paper is going to be a good partner for you. **BC**

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# ANNOUNCEMENT



Ray Pisani



Ron Malin

Les Young, Chair of the Board of ABC Benefits Corporation, is pleased to announce a transition in the leadership of Alberta Blue Cross.

Effective November 1, 2010, Ray Pisani has assumed the role of President and Chief Executive Officer of Alberta Blue Cross. Ray brings a wealth of experience to this position from his 26 successful years at Alberta Blue Cross including 11 years in a senior leadership role. Ray's most recent appointment was as Vice-President, Group, Individual and Government.

Ray takes over from Ron Malin, who after more than 20 years of outstanding leadership and dedicated service to Alberta Blue Cross including eight years as President and Chief Executive Officer, will be retiring March 31, 2012. Ron will continue to serve as Special Advisor during a transition period.

Under Ron Malin's capable leadership, Alberta Blue Cross has grown to be one of Alberta's top 50 largest corporations and has been recognized as one of Alberta's Top Employers, as one of Canada's Top Employers for Young People, and as a three-time recipient of the Premier's Award of Distinction for Healthy Workplaces.

As Alberta's leading supplementary benefits provider, Alberta Blue Cross protects over 1.5 million Albertans through a wide range of employer group benefit plans, individual health and dental plans and government-sponsored programs. An independent, not-for-profit organization, Alberta Blue Cross has been meeting the evolving supplementary health needs of Albertans for over 60 years—and has an unparalleled focus on and commitment to the health of Albertans.



[www.ab.bluecross.ca](http://www.ab.bluecross.ca)