

**BOARD OF BIDS & CONTRACTS**  
**BoCC Meeting Room at 10:00 a.m.**

**July 3, 2014**  
**(1 Item)**

**AGENDA ITEMS**

1. Employee Medical and Pharmacy Benefits-----Human Resources

ITEMS REQUIRING BOCC APPROVAL  
1 ITEM

1. EMPLOYEE MEDICAL AND PHARMACY BENEFITS - HUMAN RESOURCES

**FUNDING --BENEFITS**

(Request sent to 13 vendors)

RFP #14-0018 Contract

	Employee Benefit Management Services, Inc.	United HealthCare	Blue Cross and Blue Shield of Kansas	BAS, LLC	Coventry Health Care
Fully Insured*					
	no bid	\$30,162,725.00	\$25,854,692.00	no bid	\$29,572,143.00
<b>Carrier Administrative Services Only (Self-Funded)**</b>					
<b>Carrier Fees</b>					
Administrative Fee Rate (PEPM)	n/a	<b>\$34.31</b>	\$43.93 <sup>(3)</sup>	n/a	\$30.10
Estimated Total Administrative Fee	n/a	<b>\$1,017,360.00</b>	\$1,302,556.00	n/a	\$892,525.00
\$500,000 Specific Stop Loss Premium	n/a	<b>\$311,346.00</b>	\$438,655.00	n/a	\$242,257.00
<b>Carrier Fees Subtotal</b> <sup>(1)</sup>	n/a	<b>\$1,328,706.00</b>	\$1,741,211.00	n/a	\$1,134,782.00
<b>County's Responsibility</b>					
Expected Claims	n/a	\$26,234,710.00	\$26,234,710.00	n/a	\$26,234,710.00
PCOR & Transitional Reinsurance Fee	n/a	\$408,537.00	\$408,537.00	n/a	\$408,537.00
<b>County's Responsible Funding Subtotal</b> <sup>(2)</sup>	n/a	\$26,643,247.00	\$26,643,247.00	n/a	\$26,643,247.00
Estimated Total Cost <sup>(1)+(2)</sup>	no bid	\$27,971,953.00	\$28,384,458.00	no bid	\$27,778,029.00
<b>Third Party Administrator***</b>					
	\$846,969.00	no bid	no bid	incomplete	no bid
No Bid	AmeriBen	HealthComp	Humana	Cigna HealthCare of Kansas/Missouri	Benefit Management, Inc.

<sup>(1)</sup> Amount to be paid to provider for services provided. Total is based on quoted rates per employee per month (PEPM), and will vary if number of employees differs from assumption. Assumption for all providers is 2,471 participating employees.

<sup>(2)</sup> Amount to be paid by county in addition to carrier fees. Expected claims provided by IMA in Sedgwick County Self Funded Underwriting Analysis.

<sup>(3)</sup> Composite rate that is the average of variable rate structure determined by level of participation: employee only rate is \$22.48; 2-person rate is \$39.34; family rate is \$64.29.

## BOARD OF BIDS AND CONTRACTS JULY 3, 2014

On behalf of Human Resources, recommend to **accept the proposal from United HealthCare (self-funded) for a first year cost of \$1,328,706.00 and execute a three (3) year contract with two (2) one (1) year options to renew.**

A committee comprised of Bill Buchanan - County Manager, Chris Chronis - CFO, Jeff Easter - Sheriff, Tim Kaufman - Director of Human Services, Mick McBride - Risk Manager, Becky Page - Benefits Supervisor, Todd Reynolds - Appraiser's Office, Lindsay Rousseau - Budget Director, Lorien Showalter - Budget Analyst, Justin Waggoner - Assistant County Counselor, Kristi Zukovich - Communications Director and Joe Thomas - Purchasing reviewed all responses, short-listed and interviewed Blue Cross and Blue Shield of Kansas, United HealthCare and Coventry Health Care.

The committee unanimously agreed that the United HealthCare (*self-funded model*) offers the best proposal for the county. The recommended carrier offers robust wellness and disease management programs supported through extensive technology based applications including mobile apps, web-based programs, wellness coaching and extensive condition management options which fully supports Sedgwick County's overall philosophy regarding employee health and accountability goals. United HealthCare offered a three (3) year rate cap on the administrative service costs for self-funding, as well as, offering extensive guarantees for operational, service, implementation, clinical and network discounting performance. United HealthCare's offer includes a PPO (preferred provider organization) product that allows easier access to network providers without the need for referrals. Their offering also includes providing a \$50,000.00 annual wellness fund to be used to support initiatives.

A self-funded health insurance plan will give the county better cash flow, greater flexibility over the plan's design and coverage and reduced administrative costs. Self-funding costs less, since any savings remains with the plan to help pay future costs.

The amounts shown in the *fully insured model* represent premium payments made directly to the insurance carrier for health and pharmacy coverage. The amounts shown in the *carrier self-funded model* represent the total fixed costs paid to the insurance carrier for administrative fees and specific stop loss insurance coverage, plus expected annual claims and other fees paid directly by the county. The amounts shown in the *third party administrator model* represent payments made for administrative fees only with no insurance or pharmacy coverage included.

Notes:

\* **Fully Insured** - a plan where the employer contracts with a insurance carrier to assume the financial responsibility for the enrollees' medical claims and for all incurred administrative costs. The employer pays the insurance carrier in the form of premiums.

\*\* **Carrier Administrative Services Only (Self-Funded)** - a plan where all administrative services (claims administration, stop-loss, pharmacy benefit management, etc.) are provided by an insurance carrier. The employer pays for claims directly in lieu of premium payments.

\*\*\* **Third Party Administrator (TPA)** - an individual or firm hired by an employer to handle claims processing, pay providers and manage other functions related to the operation of health insurance. The TPA is neither the policyholder or the insurer. The TPA is performing tasks traditionally handled by the company providing the insurance or the employer.