

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.	<b>United HealthCare</b>	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 <sup>(1)</sup></b>	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 <sup>(2)</sup></b>	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.

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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.

### Minutes from Bid Board meeting - 7.3.14:

After the reading of the recommendation, Mr. Chris Chronis explained the processes and objectives of our RFP #14-0018 Employee Medical and Pharmacy Benefits. He provided details regarding the process that started early this year resulting in a RFP released in early March and proposals being received on April 22nd. The evaluation team shown above was created from a much larger list of county representatives that formed the original oversight committee. The team worked in conjunction with IMA, the county's insurance consultancy in creating the specifications and other details provided in our RFP for the employee benefits program.

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We went into the project with the intention of two major objectives: 1) minimizing disruption to employees' current program and 2) to achieve cost savings if there were any to achieve. We asked for 3 different business models: 1) fully insured plan, 2) administrative services only plan (which is a form of self funded insurance) and 3) a third party administrative plan. A brief description was given of each plan.

The committee reviewed each of the proposals and met to identify their initial reactions to the proposals. All three business models were discussed and the conclusion was reached that the third party administrator was too risky and the county did not have enough resources to implement and properly administer such a model. The committee with assistance from IMA developed a list of follow up questions and presentations were scheduled to present their answers. At the conclusion of the presentations, the committee had additional follow up questions, which were given in writing to each firm. When the final responses were received the committee reconvened to consider the best and final offers made by each proposer and to hear IMA's assessment and develop a group recommendation.

Concurrently, the county's finance staff met separately with IMA to review and assess the financial aspects of the proposals and make decisions regarding what level of financial risk the county was willing to take on.

At the conclusion of the final meeting of the selection committee, we went around the table and asked each committee member what the recommendation should be. Unanimously, it was agreed that United HealthCare's self-funded model should be selected.

The major factors of the decision were: **1)** the level of service to be provided and the enthusiasm of the firm to do business with the county. **2)** Their commitment to quality as evidenced by the amount of money they were willing to put at risk in the contract. United HealthCare stated that they would put \$151,000.00 of their administrative fee at risk based on their performance level. The other two proposers, Blue Cross and Blue Shield and Coventry, both committed less than \$50,000.00 each to be at risk to qualitative measures. **3)** Technology, especially the mobile app offered by United HealthCare, allows our employees to search for providers, use the app to determine the proximity of each provider and to qualitatively evaluate each provider's offering and see their pricing. **4)** United HealthCare plan provides for no gatekeeper which allows for easier access to specialists. The assessment of IMA's underwriter is that by removing the need for a gatekeeper there is no significant savings to be gained. **5)** Unlike any of the other providers, United HealthCare agreed to fix their administrative fee for the entire three year of the contract. The comparison between the United HealthCare offer for self-funding and the renewal of the current fully insured program show that an overall savings of 5.4% will be realized using the self-funding model selection.

Chris Chronis concluded this portion and the representative from United HealthCare, Denise Koch, introduced herself and thanked the committee team members for their professionalism during the process and the county for selecting their company for these services.

David Spears asked the following questions with answers provided by Chris Chronis:

- 1) How much of a change will there be to employee's primary care physicians? Each provider offers their network. United HealthCare with a comprehensive listing of providers and will more than adequately cover these physicians. We looked at the top 100 providers and compared them with the list and only 5 were not in the network, most of these were laboratory services providers.
- 2) Will the copays be the same? We had a two-tier copay system with the primary care physician, \$20.00 and \$40.00. Under the new arrangement, we will have only the \$20.00 copay. The remaining benefits will match exactly.
- 3) What about the deductibles? United HealthCare offered a maximum out of pocket (deductibles + co-pays) of \$2,000.00 (single) and \$4,000.00 (family). One benefit enhancement was a lower co-pay for minor children, which is still under review.
- 4) Will we still have the health care reimbursement fund? Yes.

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Tim Kaufman asked the following question:

1) Please describe the level of customer service from United HealthCare. Hours of operation: 8:00 am - 8:00 pm.

Brent Hunter, Regional VP of Sales and Service for Coventry/Aetna spoke to the Board.

Thanked the committee for their work. Brent reminded the group of the important pieces that need to be considered when making the decision to provide self-funding, one important piece to consider is the exposure to downside risks. The benefits offered by Coventry include the cost effective impact of having a primary physician referral system. By offering an open access model can add 8-10% to costs.

Coventry's model was a hybrid of a fully insured and a return of profit model.

Randy, Market CFO of Coventry spoke next:

The use of the term "gatekeeper" has been mischaracterized. Primary care physician serves an important role, they know the patient and can help minimize costs to the program. They have good relationships with specialists and can manage medical care to the most cost effective method of care. He reiterated the earlier comment by Brent Hunter of the proposed 8-10% increase of costs going to an open access model. Allow a two year window to accumulate enough information to determine the true cost of self-funding.

Brent Hunter returned to state that they had a check for the return of profit that will be given to the county regardless of the decision made.

Mike Eichten, Director of Sales for Blue Cross and Blue Shield spoke next:

He asked a few questions: 1) Why the low bid for fully insured was not accepted? 2) How it was determined that the expected claim costs would be the same on all three proposals? 3) Stop loss coverage, did all three proposals use identical contract terms? He also thanked the committee for allowing them to present their proposal.

Chris Chronis responded:

Regarding the issue of variances of expected claims, each provider told us what they expected them to be. Also, we asked IMA to give us their number based on a model having no gatekeeper. We did this for purposes of fairly evaluating costs for the three providers. The numbers from each of the providers was within a very narrow range. The IMA number was in the middle of that range.

To mitigate risk for the total volume of claims for the year, some choose to have aggregate stop loss coverage. To determine if this was necessary for the county, claims history was reviewed and it was determined not to be necessary. The history reviewed covered 2010 - 2013. The county's actual claims came in at \$800,000.00 - \$1,000,000.00 under expected claims for each of the four years listed. The expected claims number used in this evaluation projected for 2015 is more than 20% higher than actual claims experienced in 2013.

The Blue Cross and Blue Shield fully insured was an attractive offer, however, based on our evaluation we feel that they are expecting a loss in year one but based on their proposal of allowing for a maximum 13% increase for year two (based on the county making zero changes to the policy) and no rate cap allowed on year three, gave us cause for concern as to the overall three year expense.

In regard as to whether there were differences in insurance coverage in the proposals offered, each insurance policy is different with each provider, but we satisfied ourselves that the differences were immaterial to our evaluations.