

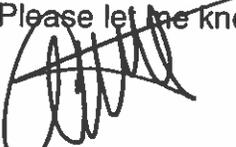
Memorandum



DATE June 3, 2016
TO Honorable Mayor and Members of the City Council
SUBJECT **Health Benefits Proposals and Vendor Recommendations**

On June 8, 2016 the City Council agenda will include a Health Benefits Proposals and Vendor Recommendations briefing. The briefing will be presented by Molly Carroll, Director of Human Resources. Briefing materials are attached for your review.

Please let me know if you need additional information.


A.C. Gonzalez
City Manager

C: Ryan S. Evans, First Assistant City Manager
Christopher D. Bowers, Interim City Attorney
Craig D. Kinton, City Auditor
Rosa A. Rios, City Secretary
Daniel F. Solis, Administrative Judge
Eric D. Campbell, Assistant City Manager

Jill A. Jordan, P.E., Assistant City Manager
Mark McDaniel, Assistant City Manager
Joey Zapata, Assistant City Manager
Jeanne Chipperfield, Chief Financial Officer
Sana Syed, Public Information Officer
Elsa Cantu, Assistant to the City Manager – Mayor & Council

HEALTH BENEFITS PROPOSALS AND VENDOR RECOMMENDATIONS



City Council
June 8, 2016

PURPOSE

Review the Request for Proposal (RFP) for Employee/Retiree Healthcare

- Background information on health plan
- RFP Information and scoring
- Recommendations for vendors

BACKGROUND INFORMATION

“FULLY INSURED” VERSUS “SELF INSURED”

- Employers provide healthcare coverage for employees by either being “Fully Insured” or “Self Insured”
- Dallas is Self-Insured 

Fully Insured

- Employer purchases an insurance plan from an insurance company
 - Can compare prices of insurance plans and buy the product that best fits their needs
- When a person on the insurance plan receives health care (doctor visit, medical procedure, etc.), **the claim is paid by the insurance company**

Self Insured

- Employer sets aside money to pay for healthcare claims
- When a person on the health plan receives health care (doctor visit, medical procedure, etc.), **the claim is paid by the employer**
- Usually, the employer hires a “Third Party Plan Administrator (TPA)” to manage the healthcare plan

“FULLY INSURED” VERSUS “SELF INSURED”

- Large employers (1,000 or more covered lives) normally self-insure because:
 - It is less expensive
 - Employers can design the plan to best meet the needs of the employees
 - Pharmacy plans can be carved out to reduce costs
- Dallas is self insured for active employee and non-Medicare eligible retiree healthcare
 - Revenues are collected from the City, the employees, and retirees via the payroll systems
 - Healthcare claims are paid from those revenues

THIRD PARTY ADMINISTRATORS

- Most large employers hire a third-party administrator (TPA) who provides two major services:
 - 1. Access to a “network” of healthcare providers**
 - Hospitals
 - Physicians
 - Other healthcare providers (chiropractors, etc.)
 - Ancillary health-care services (labs, imaging facilities)
 - 2. Adjudication of claims**
 - Healthcare providers send bills to the TPA who pays them in accordance with the employer’s plan design
- There are four major TPAs in the market
 - Blue Cross/Blue Shield
 - United Healthcare
 - Cigna
 - Aetna

CITY OF DALLAS HEALTH PLAN OVERVIEW

COSTS, PARTICIPATION AND CURRENT VENDORS

FY15-16 HEALTH PLAN COST

	City Contributions	Employee/Retiree Contributions
Medical Plans HRA Plan PPO – 70/30/3k Medicare Plans	\$77.9 million	\$50.3 million \$23.2 million from employees \$27.1 million from retirees
Other Benefits (Dental, Vision, FSA, etc.)	No City Contributions	\$17.1 million

HEALTH PLAN PARTICIPATION

Employee Status	Plan	Lives Covered
Active	HRA	14,699
Active	EPO	4,741
Terminated	COBRA	6
Retirees	Plan	Lives Covered
Pre-65	HRA	960
Pre-65	EPO	1,655
Post-65	HRA	6
Post-65	EPO	108

- Two medical plan options
 - 75/25 Health Reimbursement Account (HRA)
 - 70/30 Exclusive Provider Organization (EPO)
- 22,175 lives covered
- 1,864 Employees have waived coverage
- 4,438 Retiree supplemental Medicare plans are purchased

2016 REQUEST FOR PROPOSAL

CURRENT HEALTH PLAN VENDORS

Service	Covered	Vendor	Funding	Contract Expiration
Medical TPA for self-insured plan (including flexible spending account (FSA) administration)	Active Employees & Pre-65 Retirees	UnitedHealthcare	City & Employees/Retirees	December 31, 2016
Fully-Insured Medicare & Supplemental Plans	Medicare Eligible Retirees	UnitedHealthcare	City & Retirees	December 31, 2016
Pharmacy Benefits Administration	Active Employees & Pre-65 Retirees	CVS/Caremark	City & Employees/Retirees	December 31, 2016
Fully-Insured Dental	Active Employees and Retirees	UnitedHealthcare	100% Employees & Retirees	December 31, 2016
Fully-Insured Vision	Active Employees, Pre-65 Retirees & Medicare Eligible Retirees	UnitedHealthcare	100% Employees & Retirees	December 31, 2016

- Contracts all expire on December 31, 2016

REQUEST FOR PROPOSAL (RFP)

- RFP advertised: February 11 and February 18, 2016
- RFP allowed submittals for bundled and unbundled services for:
 - TPA for self-insured medical plan
 - Supplemental Medicare and Medicare Advantage Plans
 - Pharmacy Benefits Manager
 - Dental
 - Vision
 - Disease Management (specialize in helping members with chronic diseases)
 - Transparency products (price comparison tools)
 - Employee Assistance Program (counseling services)
 - COBRA Administration
 - Affordable Care Act Administration

SUMMARY OF PROPOSALS

Vendor	Medical TPA & Medicare Plans	Pharmacy Benefits	Dental	Vision	Other
Aetna	x	x	x	x	EAP, COBRA, Transparency
Blue Cross Blue Shield	x	x	x	x	EAP, COBRA, Transparency
Cigna	x	x	x	X	EAP, COBRA, Transparency
United Healthcare	x	x	x	x	EAP, COBRA, Transparency
CVS Caremark		x			
Express Scripts		x			
Metlife			x	x	
Delta Dental			x		
United Concordia			x		
Davis Vision				x	
Superior Vision				x	
Castlight					Transparency Product
Deer Oaks					Employee Assistance (EAP)
Omada Health					Disease Management

VENDOR EVALUATIONS

- Vendor presentations conducted April 26th, 28th and 29th
- Evaluation team members:

Title	Department
Manager III	Human Resources
Director	Office of Risk Management
Manager III	Deferred Compensation
Third Tier Executive	Police Department
Assistant Chief	Fire Department

- Purchasing Staff evaluated BID requirements and Financials (based on financial analysis by consultant)
- Holmes Murphy, the City's Health Benefits consulting firm, provided oversight of financial data

ADMINISTRATOR FINANCIAL ANALYSIS

- Proposals for healthcare administration services are complex
 - Each company structures their offer differently
- Comparing proposals requires subject matter experts
 - Holmes Murphy completed the financial analysis of the City's proposals
- Holmes Murphy has 85 years of benefit and actuarial consulting experience
 - Local team averages more than 20 years underwriting experience of major health plans

ADMINISTRATOR FINANCIAL ANALYSIS

- To compare costs in each proposal, Holmes Murphy analyzed two elements:
 1. Charges to administer the plan (administrative fees and shared savings)
 2. Projected costs for the healthcare claims
 - Used historical claims, expected in-network penetration, and network discounts to compare healthcare claims for each vendor
 - A disruption analysis was also conducted to compare the current vendors network with the proposers networks

EVALUATION CRITERIA

Criteria	Points	Scored By
Capability and expertise	30	Evaluation Committee
Overall approach and methodology	25	Evaluation Committee
Cost	30	Consultant & Purchasing
Business inclusion and development	15	Purchasing

MEDICAL TPA

SUMMARY OF SCORES

Vendor	Capability & Expertise (30%)	Overall Approach & Methodology (25%)	Business Inclusion & Development (15%)	Financial Summary (30%)	Grand Total (100%)
Cigna	29%	24%	15%	30%	97%
UHC	26%	20%	11%	28%	86%
BCBS (Premier)	26%	21%	9%	29%	86%
BCBS	26%	21%	9%	29%	85%
Aetna (THR)	27%	21%	7%	28%	83%
Aetna (BSW)	27%	21%	7%	28%	83%

Cigna ranked highest based on the evaluation criteria

PHARMACY BENEFITS MANAGER

SUMMARY OF SCORES

Vendor	Capability & Expertise (30%)	Overall Approach & Methodology (25%)	Business Inclusion & Development (15%)	Financial Summary (30%)	Grand Total (100%)
CVS Caremark	29%	24%	15%	30%	98%
Cigna	27%	23%	15%	26%	91%
Express Scripts	26%	21%	13%	29%	89%
BCBS	27%	21%	9%	29%	86%
UHC	27%	21%	11%	26%	85%
Aetna	26%	21%	7%	25%	78%

CVS Caremark ranked highest based on the evaluation criteria

DENTAL

SUMMARY OF SCORES

Vendor	Capability & Expertise (30%)	Overall Approach & Methodology (25%)	Business Inclusion & Development (15%)	Financial Summary (30%)	Grand Total (100%)
MetLife	28%	24%	9%	30%	91%
Delta Dental	26%	20%	13%	26%	81%
Cigna	27%	21%	15%	17%	80%
BCBS	26%	21%	9%	18%	73%
UHC	24%	18%	11%	20%	73%
United Concordia	26%	19%	8%	18%	72%

MetLife ranked highest based on the evaluation criteria

Dental is paid exclusively through **employee contributions**

VISION

SUMMARY OF SCORES

Vendor	Capability & Expertise (30%)	Overall Approach & Methodology (25%)	Business Inclusion & Development (15%)	Financial Summary (30%)	Grand Total (100%)
Davis Vision	28%	23%	15%	30%	96%
Superior Vision	26%	21%	8%	30%	84%
BCBS Option I	28%	23%	9%	21%	81%
UHC	26%	20%	11%	23%	80%
Cigna	25%	19%	15%	20%	79%
Aetna	25%	18%	7%	27%	77%
MetLife	26%	20%	9%	14%	70%
BCBS Option II	25%	20%	9%	0%	54%

Davis Vision ranked highest based on the evaluation criteria
 Vision is paid exclusively through **employee contributions**

RECOMMENDATIONS

SUMMARY OF RECOMMENDATIONS

Product	Current Vendor	Proposed Vendor
Self-Insured Medical Plans (Including: COBRA Administration, EAP, FSA & and Other Ancillary Services)	UHC	Cigna
Pharmacy Benefits Manager	CVS/Caremark	CVS/Caremark
Dental	UHC	Met Life
Vision	UHC	Davis Vision
Medicare	UHC	To be determined

- Contracts with the recommended vendors would be for three years with two one-year renewal options starting January 1, 2017

NEXT STEPS

- June 22, 2016
 - Consider approval of contracts with recommended vendors
- August, 2016, consider approval of:
 - Annual plan design changes
 - Benefits Master Plan documents
 - Medicare vendor contract
- September, 2016 thru October, 2016
 - Open Enrollment for 2017 benefit elections
- January 1, 2017
 - Effective date of new contracts

Other benefits initiative

- RFP for direct contracts issued in January, 2016
- Proposals under review