

CITY OF GAINESVILLE

2010 Medical Benefit Plan
Review & Recommendations

*Prepared by
Siver Insurance Consultants
Allan Paul Waters, CPCU, CLU, ARM, AIC
and
Theresa Conley, RHU*

July 15, 2009

**2010 Employee Benefit Plan
Review and Recommendations**
July 15, 2009

EXECUTIVE SUMMARY

We recommend the City continue to self-insure its medical plan effective January 1, 2010 with the following components:

- Utilize Blue Cross & Blue Shield of Florida as the Administrator, Provider Network and Pharmacy Benefits Manager,
- Purchase specific stop loss insurance from Symetra, and
- Utilize Gallagher Benefits Services as the Insurance Agent.

Based upon current enrollment and the assumptions included in our report, the total annual fixed current costs are:

Medical Claims Administration:	\$ 1,754,901
Stop-Loss Annual Premium (not including Rx):	\$ 551,772

Based upon current enrollment and the assumptions included in our report, the total fixed costs to continue with the current program will be approximately:

Medical Claims Administration	\$1,522,405
Stop-Loss Insurance (including Rx):	\$ 655,052

For the Medical Claims administration, there is an approximate fixed annual savings of \$230,000.

For the stop-loss insurance, there is an 18.7% increase mainly due to poor claims for the current year and the inclusion of prescriptions (Rx) to be added to the coverage. We will describe this more in detail later within the report.

In general, we are very pleased with the results of the RFP process and believe that the City did benefit from the process.

**2010 Employee Benefit Plan
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July 15, 2009**

BACKGROUND & RFP PROCESS

Request for Proposals (RFP) RMDX-100000-FB for Medical Insurance, Self-Insurance and Pharmacy Benefits Management Services was released on May 6th and proposals were received on June 3rd.

A pre-proposal conference was held on May 21st to respond to any questions by interested proposers, including insurers and insurance agents.

The City's last solicitation of competitive proposals for its self-insurance program was for group medical excess insurance (stop-loss) proposals in 2004.

This report includes both our recommendations respecting the RFP process and recommendations for the overall City employee benefit plan for 2010.

MEDICAL PLAN

On June 3rd, the City received the following responses to its RFP:

<u>Proposal Type</u>	<u>Proposers</u>
Fully Insured Medical Benefits	Blue Cross Blue Shield of Florida
	United Healthcare
Claims Administration	Aetna
	Blue Cross & Blue Shield of Florida
	United Healthcare
Pharmacy Benefits Management	Aetna
	Blue Cross & Blue Shield of Florida
	Walgreens (Carve-out)
	United Healthcare
Stop-Loss Insurance	Symetra Life Insurance Co.
Insurance Agent	Gallagher Benefit Services
	Employers Mutual, Inc.
	Haught Financial Group, Inc.
	Willis HRH

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It is not unusual for public entities in some parts of the state to receive only two or three proposals in an RFP process for medical insurance. There are only six insurers that regularly compete in much of Florida, including Aetna, AvMed, Blue Cross & Blue Shield, Cigna, Humana and United Healthcare. Some of these may not have established or extensive provider networks in such areas as Alachua County, so some do not respond, thinking they cannot be competitive. Overall, we are pleased with the number of proposals received.

Fully-Insured Medical Options

One aspect of comparing programs among proposers was evaluation of the cost of fully insured programs, in which the insurers (not the City) would be responsible for the risk of loss.

Insurer	2010 Total Annual Premium
Aetna	Did not propose – offered self-insurance only
<i>Blue Cross Blue Shield of Florida</i>	<i>\$19,746,175</i>
United Healthcare	\$20,307,462

The overall lower fully insured annual premium is reflective that Blue Cross & Blue Shield of Florida’s provider discounts are greater. This is important because about 85% of the plan premium is in claims, and provider discounts reduce claims costs.

Self-Insured Medical Options

Total self-insurance plan costs can only be estimated because the majority of plan cost will be in the claims yet to be incurred during the 2010 plan year and the amount of estimated incurred claims is speculative. However, based on prior history, and the competitive proposals, the selection committee developed the following estimated costs:

Insurer	2010 Total Annual Estimated Cost
Aetna	Proposal incomplete – No stop-loss insurance
<i>Blue Cross Blue Shield of Florida</i>	<i>\$17,572,356</i>
Blue Cross Blue Shield with Walgreens PBM	\$17,507,140*
United Healthcare	\$19,509,243
United Healthcare with Walgreens PBM	\$19,335,668*

*Please see the Walgreens PBM issues in the recommendation.

Again, the overall lower cost (expected cost) is reflective that Blue Cross & Blue Shield of Florida’s provider discounts are greater. This is important because about 85% to 90% of the self-insured plan cost is in claims, and provider discounts reduce claims costs.

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The preceding self-insured estimated costs will have to be finalized by the City's actuary; however, the lower cost of Blue Cross & Blue Shield of Florida is expected to remain lower based on representations about the applicable provider discounts of the proposers.

RECOMMENDATIONS

Continue with Self-Insurance

The Committee concluded that it would be in the City's best interest to continue to self-insure the group medical benefits plan.

Continue with BCBSF as the Administrator, Provider Network and Pharmacy Benefits Manager

The Committee concluded that it would be in the City's best interest to continue with Blue Cross Blue Shield of Florida as the third party administrator, provider network and pharmacy benefits manager.

Although a competitive proposal was received from Walgreens, the Committee did not believe that there would be a material enough cost differential to warrant all the changes that would be required with a new prescription drug provider.

We agree with the Committee for the following reasons:

- Although the base administrative costs for Walgreens were lower than Blue Cross & Blue Shield of Florida's administrative costs by \$65,000, the Walgreen's proposal contained a significant number of additional charges that both Siver Insurance Consultants and the Committee could not accurately quantify to determine the additional annual costs to the City for the charges.
- Carving out the Pharmacy Benefits Manager could potentially complicate the coordination of pharmacy claims and medical claims paid information to the City's stop-loss carrier.
- It may also reduce the health plan's ability to coordinate medical and pharmacy utilization data.
- Employees would also have the responsibility to maintain a separate insurance card for pharmacy benefits.

Therefore, we agree with the Committee that the savings to switch to Walgreens for Pharmacy Benefits Manager services were not sufficient enough to offset the additional internal administrative costs and/or complication of prescription data to the City.

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Continue to Purchase Specific Stop-Loss Insurance from Symetra

The City currently purchases specific stop-loss insurance from Symetra to limit the City's liability for payment of individual self-insured claims to the extent they exceed \$160,000.

This year the City looked at "attachment points" of \$160,000 and \$200,000, and the Committee recommends purchase of specific deductible stop loss coverage with a \$160,000 attachment point.

Some self-insured medical plans also purchase aggregate excess insurance, but the City does not purchase this coverage, because overall claims have not been so volatile as to warrant purchase.

Aggregate excess insurance protects the overall annual claims cost for all participants and the attachment point is generally 125% of expected claims. Based on the number of employees, the cost and the terms and conditions of aggregate excess coverage, the Committee decided to forego purchasing the coverage.

Although the City's prior stop-loss insurance for individual claims did not previously cover prescription drug claims, the RFP requested to look at both options of including prescriptions and not including prescriptions. Due to the minimal increased cost to include prescription drug claims in the stop-loss, the Committee recommends that they be included in the coverage to be purchased.

Continue with Gallagher Benefits Services as the Insurance Agent

The City currently purchases its specific stop-loss insurance from Symetra Life Insurance Co. through Gallagher Benefits Services (Gallagher).

We recommend that the City continue to work with Gallagher as their agent. We are recommending Gallagher due to the City's positive past experience with them. City staff have been working with Gallagher for over the past 19 years and have always had good service from them.

Although several insurance agents were willing to serve as the City's agent, Gallagher offered to continue to serve the City with the most competitive agent/broker cost of \$65,000/annually.

AW/TC

MEDICAL INSURANCE, SELF INSURANCE PHARMACY MANAGEMENT SERVICES
RMDX-100000-FB

	Fully Insured BCBS	Fully Insured UHC	Self Insured BCBS	BCBS w/Walgreen's Pharmacy	Self Insured UHC	UHC w/Walgreen's Pharmacy	Self Insured AETNA
Hospital & Dr. Claims			\$9,176,715	\$9,176,715	\$10,456,785	\$10,456,785	\$10,275,092
RX Claims			\$3,153,151	\$3,116,094	\$3,153,261	\$3,116,094	\$3,196,205
Dispensing Fee			\$88,204	\$80,874	\$122,182	\$80,874	\$109,532
Rebates			-\$273,605	-\$331,434	-\$323,654	-\$331,434	\$0
RX Admin fee			\$0	\$37,000	\$124,320	\$37,000	
Admin Fee			\$1,522,281	\$1,522,281	\$1,094,070	\$1,094,070	
Stop Loss Policy			\$456,610	\$456,610	\$1,345,279	\$1,345,279	
Agent for Stop Loss			\$30,000				
Medical Agent fee			\$35,000				
Other Claims (EQ)			\$1,700,000	\$1,700,000	\$1,700,000	\$1,700,000	
Sub-Total	\$19,746,175	\$20,307,462	\$15,888,356	\$15,823,140	\$17,672,243	\$17,498,668	\$13,580,829
Agent Broker Services	\$35,000	\$35,000					
Trend Claims thru 2010	\$19,781,175	\$20,342,462	\$1,684,000	\$1,684,000	\$1,837,000	\$1,837,000	
Total	\$19,781,175	\$20,342,462	\$17,572,356	\$17,507,140	\$19,509,243	\$19,335,668	
Points	26.4	25.8	30		27		
Note: All numbers in "Red" reflect a 12% trend for claims through 12/31/2010			Note: The RX Admin fee is all inclusive, no additional charges	Note: The RX Admin fee of \$37,000 is the base amount, extensive list of additional charges not included in cost. This plan would require 2 employee health cards & duplication of services		Note: The RX Admin fee of \$37,000 is the base amount, extensive list of additional charges not included in cost. This plan would require 2 employee health cards & duplication of services	Note: This proposal does not offer a complete program as requested by the City

DEPARTMENT
BID INTENDED AWARD RECOMMENDATION TRANSMITTAL

TO: Purchasing, Box 32

Attn: Fran Boynton

BID #:RMDX-100000-FB

Bid Due Date: JUNE 3, 2009

**Bid Title: MEDICAL INSURANCE, SELF INSURANCE & PHARMACY BENEFITS
MANAGEMENT SERVICES**

NO AWARD – REJECT ALL BIDS

Justification for No Award:

- Bids over budget
 Only one bid received
 Other (provide detailed explanation: _____)

RECOMMENDATION FOR INTENDED AWARD

Recommended Bidder: _____

If BEB/RFP/RFQ:

Recommended Ranking:

<u>Vendor</u>	<u>Ranking</u>
<u>See Attached Detail</u>	—
_____	—
_____	—

Bid award amount: See attached

Justification for the Recommendation:

Vendor(s) selected were rated highest based on the evaluative criteria set forth in the RFP. The selections produce the lowest cost and most comprehensive self-insured program available based on the responses received.

Recommended by: Steve Varvel

Title: Risk Management Director

Phone: 334-5045

Date: 7/14/2009

City Commission required: Yes No

Confirmation of approved agenda item
for City Commission meeting on August 6, 2009 (date)

Vendor is active in the Advantage Financial System

- Department is responsible to obtain appropriate documentation to activate vendor

DEPARTMENT
BID INTENDED AWARD RECOMMENDATION TRANSMITTAL

TO: Purchasing, Box 32

Attn: Fran Boynton

BID #:RMDX-100000-FB

Bid Due Date: JUNE 3, 2009

**Bid Title: MEDICAL INSURANCE, SELF INSURANCE & PHARMACY BENEFITS
MANAGEMENT SERVICES**

Ranking	Administrator	Stop-Loss Carrier	Pharmacy Benefit Manager	Agent/Broker
1. BCBS- Self Insured	Blue Cross Blue Shield of Florida Inc.	Symetra Life Insurance Company	Blue Cross Blue Shield of Florida, Inc.	Gallagher Benefit Services
2. BCBS- Self Insured See Note (1)	Blue Cross Blue Shield of Florida Inc.	Symetra Life Insurance Company	Blue Cross Blue Shield of Florida, Inc.	Gallagher Benefit Services
3. BCBS- Fully Insured See Note (2)	Blue Cross Blue Shield of Florida Inc.	Not Applicable	Not Applicable	Gallagher Benefit Services
4. UHC-Fully Insured See Note (2)	United Health Care, Inc.	Not Applicable	Not Applicable	Gallagher Benefit Services

- (1) This is the same recommendation as the top ranked program. This option was scored comparing the Pharmacy Benefit Carve Out with Walgreen's vs. a single administrator.
- (2) As fully insured options, Stop-loss and Pharmacy Benefit Manager are not applicable.

Ranking	Administrator Cost Estimate	Stop-Loss Cost Estimate	Pharmacy Benefit Manager Cost Est.	Agent/Broker Cost
1. BCBS- Self Insured	\$1,522,281	\$456,610	Not applicable	\$65,000
2. BCBS- Self Insured See Note (1)	\$1,522,281	\$456,610	Not applicable	\$65,000
3. BCBS- Fully Insured See Note (2)	\$19,746,175	Not Applicable	Not Applicable	\$35,000
4. UHC-Fully Insured See Note (2)	\$20,307,462	Not Applicable	Not Applicable	\$35,000

Cost estimates for Administrator and Stop-Loss Insurance are based on quoted rates and reflect current enrollment in group health plan. Actual cost will vary on to the extent enrollment in group health plan changes.

Written Evaluations Summary for Medical Insurance, Self Insurance, Pharmacy Benefits Management Services

EVALUATORS	MAX POINTS	Firm Name						
		BCBS Fully Insured	United Fully Insured	BCBS Self Insured	United Self Insured	Aetna Self Insured	BCBS Stand Alone w/ Pharmacy	BCBS w/Walgreens Pharmacy
Becky Rountree	110	106.4	91.8	110	93	60	104.3	85
Steve Varvel	110	104.4	93.8	109	85	46	104.3	82
Lilian Hutchinson	110	99.4	82	103	84	46	107.3	85
Pete Backhaus	110	104.4	90.7	107	91.9	53.8	107.3	80
David Beaulieu	110	96.4	90.8	100	92	53	102.3	94
TOTAL	550	511	449.1	529	445.9	258.8	525.5	426

Final Ranking - Written Summary

Firm	Score	Rank
United Fully Insured	449.1	4.
BCBS Stand Alone w/ Pharmacy	525.5	2.
BCBS Self Insured	529	1.
BCBS w/Walgreens Pharmacy	426	6.
Aetna Self Insured	258.8	7.
BCBS Fully Insured	511	3.
United Self Insured	445.9	5.
	0	
	0	

PROPOSAL EVALUATION SUMMARY

PROJECT: Medical Insurance

RFP/RFQ #: RMDX-100000-FB

EVALUATOR: Becky Rountree

DATE: June 29, 2009

FIRM NAMES	COST (30 Points)	COVERAGE (10 Points)	PROVIDERS (15 Points)	SERVICE/ CUSTOMER SERVICE (25 Points)	REPORTING SERVICES (15 Points)	STABILITY (5 Points)	REFERENCES (5 Points)	LOCAL PREFERENCE (5 Points)	TOTAL Points
BCBS(Fully Insured)	26.4	10	15	25	15	5	5	5	106.4
United (Fully Insured)	25.8	9	12	20	15	5	5		91.8
BCBS (Self Insured)	30	10	15	25	15	5	5	5	110
United (Self Insured)	27	9	12	20	15	5	5		93
Aethna (Self Insured)	0	10	10	20	10	5	5		60
BCBS(Self Insured + BCBS Pharmacy)	29.3	10	15	25	10	5	5	5	104.3
BCBS (Self Insured + Walgreens Pharmacy)	30.	10	15	10	10	5	5		85

Local Preference 5%

PROPOSAL EVALUATION SUMMARY

PROJECT: Medical Insurance

RFP/RFQ #: RMDX-100000-FB

EVALUATOR Steve Varvel

DATE: June 29, 2009

FIRM NAMES	COST (30 Points)	COVERAGE (10 Points)	PROVIDERS (15 Points)	SERVICE/ CUSTOMER SERVICE (25 Points)	REPORTING SERVICES (15 Points)	STABILITY (5 Points)	REFERENCES (5 Points)	LOCAL PREFERENCE (5 Points)	TOTAL Points
BCBS(Fully Insured)	26.4	10	15	23	15	5	5	5	104.4
United (Fully Insured)	25.8	10	13	20	15	5	5		93.8
BCBS (Self Insured)	30	10	15	24	15	5	5	5	109
United (Self Insured)	27	8	12	18	10	5	5		85
Aetna (Self Insured)	0	5	6	15	10	5	5		46
BCBS(Self Insured + BCBS Pharmacy)	29.3	10	15	20	15	5	5	5	104.3
BCBS (Self Insured + Walgreens Pharmacy)	30.	10	15	10	7	5	5		82

Local Preference 5%

PROPOSAL EVALUATION SUMMARY

PROJECT : Medical Insurance

RFP/RFQ #: RMDX-100000-FB

EVALUATOR Lilian Hutchinson

DATE: June 29, 2009

FIRM NAMES	COST (30 Points)	COVERAGE (10 Points)	PROVIDERS (15 Points)	SERVICE/ CUSTOMER SERVICE (25 Points)	REPORTING SERVICES (15 Points)	STABILITY (5 Points)	REFERENCES (5 Points)	LOCAL PREFERENCE (5 Points)	TOTAL 110 Points
BCBS(Fully Insured)	26.4	10	15	23	10	5	5	5	99.4
United (Fully Insured)	25.8	8	12	15	15	5	2		82.8
BCBS (Self Insured)	30	10	15	23	10	5	5	5	103
United (Self Insured)	27	8	12	15	15	5	2		84
Aetna (Self Insured)	0	8	15	10	5	5	3		46
BCBS(Self Insured + BCBS Pharmacy)	29.3	10	15	25	13	5	5	5	107.3
BCBS (Self Insured + Walgreens Pharmacy)	30.	10	15	10	10	5	5		85

Local Preference 5%

PROPOSAL EVALUATION SUMMARY

PROJECT: Medical Insurance

RFP/RFQ #: RMDX-100000-FB

EVALUATOR: Pete Backhaus

DATE: June 29, 2009

FIRM NAMES	COST (30 Points)	COVERAGE (10 Points)	PROVIDERS (15 Points)	SERVICE/ CUSTOMER SERVICE (25 Points)	REPORTING SERVICES (15 Points)	STABILITY (5 Points)	REFERENCES (5 Points)	LOCAL PREFERENCE (5 Points)	TOTAL 110 Points
BCBS(Fully Insured)	26.4	10	15	24	14	5	5	5	104.4
United (Fully Insured)	25.8	10	12.9	18	14	5	5		90.7
BCBS (Self Insured)	30	10	15	24	14	5	5	5	107
United (Self Insured)	27	10	12.9	18	14	5	5		91.9
Aetna (Self Insured)	0	8	7.8	16	12	5	5		53.8
BCBS(Self Insured + BCBS Pharmacy)	29.3	10	15	24	14	5	5	5	107.3
BCBS/Self Insured + Walgreens Pharmacy)	30.	10	15	10	5	5	5		80

Local Preference 5%

PROPOSAL EVALUATION SUMMARY

PROJECT: Medical Insurance

RFP/RFO #: RMDX-100000-FB

EVALUATOR: David Beaulieu

DATE: June 29, 2009

FIRM NAMES	COST (30 Points)	COVERAGE (10 Points)	PROVIDERS (15 Points)	SERVICE/ CUSTOMER SERVICE (25 Points)	REPORTING SERVICES (15 Points)	STABILITY (5 Points)	REFERENCES (5 Points)	LOCAL PREFERENCE (5 Points)	TOTAL 110 Points
BCBS(Fully Insured)	26.4	10	13	17	15	5	5	5	96.4
United (Fully Insured)	25.8	9	15	20	13	4	4		90.8
BCBS (Self Insured)	30	10	13	17	15	5	5	5	100
United (Self Insured)	27	9	15	20	13	4	4		92
Aetna (Self Insured)	0	6	14	18	9	3	3		53
BCBS(Self Insured + BCBS Pharmacy)	29.3	10	13	20	15	5	5	5	102.3
BCBS (Self Insured + Walgreens Pharmacy)	30.	10	15	18	12	5	4		94

Local Preference 5%