

CITY OF EL PASO, TEXAS  
AGENDA ITEM  
DEPARTMENT HEAD'S SUMMARY FORM

DEPARTMENT: Human Resource/Insurance & Benefits

AGENDA DATE: September 14, 2010

CONTACT PERSON(S) NAME(S) AND PHONE NUMBER(S): Linda Ball Thomas, 541-4102, Irene Y. Morales, 541-4448  
Bruce D. Collins, Purchasing Manager, 541-4313

DISTRICT(S) AFFECTED: All

SUBJECT:

Approve the extension of the City of El Paso Health Benefit Program Third Party Administration and Managed Medical Network with Aetna Life Insurance Company, the Pharmacy Benefit Management with Medco Health Solutions and Employee Assistance Services with Deer Oaks EAP Services, LLC October 1, 2010 through September 30, 2012.

BACKGROUND / DISCUSSION:

Aetna, Medco and Deer Oaks were awarded the contracts by Council on July 10, 2007 pursuant to RFP#2007-097R with an initial effective contract period of October 1, 2007 through September 31, 2010. Aetna is the third party administrator for the City of El Paso Health Benefit Plan. Aetna has been able to hold the increase in claims costs to 9% increase during the initial contract period; medical inflation is currently between 9%-11%. Aetna received an 82% satisfaction rate in a 2009 employee and retiree satisfaction survey. Aetna has met all performance guarantees required in the contract which include financial accuracy, total claim accuracy, claim payment turnaround time and telephone customer service abandonment rate. Appeals to the health benefit plan have decreased by 80% since 2007. The proposed increase in the administration fee is 4% for plan year 2011; from \$39.75 pmpm to \$41.34 pmpm.

Medco Solutions is the pharmacy benefit manager for the City of El Paso Health Benefit Plan. Compared to local and national medical inflation rates of 9%-11%, Medco has held increases in pharmacy costs to 9%. Medco has met all performance guarantees required in the RFP which include but not limited to dispensing accuracy, reporting requirements, telephone abandonment rate and response to written inquiries. Appeals by employees involving prescription drugs have decreased by 95% since 2007. The proposed increase in the composite administration fee is 10% for plan year 2011; from \$302,879/year to \$333,167/year.

Deer Oaks has provided counseling services to 2,769 employees and/or family members. Besides counseling services, Deer Oaks has also provided referrals to legal and financial consultations, work/life balance coaching, child/eldercare resources and substance abuse services. Deer Oaks has assisted the City with crisis management and grief counseling in various departments. There will be no increase in the \$.51 /employee administration fee for plan year 2011.

The Hay Group, benefit consultants for the City, recommends extending the contracts. The increases in all the fees are minimal compared to other municipal clients throughout the nation.

PRIOR COUNCIL ACTION:

Aetna, Medco and Deer Oaks were awarded the contracts by Council on July 10, 2007 under request for proposal RFP#2007-097R.

AMOUNT AND SOURCE OF FUNDING:

Amounts: Aetna Administration Fee \$2.8M, Medco Administration Fee \$333,167.00, Deer Oaks Administration Fee \$33,933.00. Health Benefit Fund: 45121-09100248-09001. The costs are allocated in the budget.

BOARD / COMMISSION ACTION: NA

DEPARTMENT HEAD: \_\_\_\_\_

**COUNCIL PROJECT FORM  
(CONTRACT EXTENSION)**

\*\*\*\*\***POSTING LANGUAGE BELOW**\*\*\*\*\*

Please place the following item on the **REGULAR** agenda for the Council Meeting of **SEPTEMBER 14, 2010**.

Discussion and action on the request that the Purchasing Manager for Financial Services, Purchasing Division be authorized to exercise the City's option to extend current Contract 2007-097R Employee Benefits with Aetna Life Insurance Company – TPA and PPO, Medco Health Solutions, Inc. - Pharmacy, and Deer Oaks EAP Services, LLC – EAP for two (2) additional years pursuant to the provisions of an award approved by the City Council on July 10, 2007. The extended contract period will be from October 1, 2010 to September 30, 2012.

Department: Human Resources-Insurance and Benefits  
Option: One [of One]  
Award to: Vendor 1 Aetna Life Insurance Company  
Hartford, CT  
Item(s): TPA and PPO Network  
Annual Estimated Amount: \$2,808,000

Award to: Vendor 2 Medco Health Solutions, Inc.  
Franklin Lakes, NJ  
Item(s): Pharmacy  
Annual Estimated Amount: \$333,167

Award to: Vendor 3 Deer Oaks EAP Services, LLC  
San Antonio, TX  
Item(s): EAP  
Annual Estimated Amount: \$33,933

Annual Estimated Amount: \$3,175,100 (Vendors 1-3)

Total Estimated Amount: \$6,350,200 (2 years)  
Funding Source: Health Benefit Fund  
District(s): All

\*\*\*\*\***ADDITIONAL INFO BELOW**\*\*\*\*\*

ING Employee Benefits Reliastar Life Insurance Company, The City's provider for Stop Loss Coverage, did not provide competitive pricing for this extension option and their portion of this contract for Stop Loss Insurance will not be extended. City will go out for RFP for these services. ING Employee Benefits Reliastar Life Insurance Company is under contract through December 31, 2010 to provide Stop Loss services.

*MWP*

**MOTION**  
**JULY 10, 2007**

Motion made by Representative Ortega, seconded by Representative Lozano, and carried to **APPROVE** the award of Solicitation No. 2007-097R (Employee Benefits) to Aetna Life Insurance Company – TPA and PPO, Medco Health Solutions, Inc. - Pharmacy, ING Employee Benefits Reliastar Life Insurance Company – Stop Loss, and Deer Oaks EAP Services, LLC – EAP for a total estimated award of \$13,125,468.72.

Department:		Office of Management & Budget/Insurance & Benefits
Award to:	Vendor 1	Aetna Life Insurance Company Hartford, CT
Items:		TPA and PPO Network
Estimated Annual Fees:		\$2,636,335.96
Award to:	Vendor 2	Medco Health Solutions, Inc. Franklin Lakes, NJ
Item:		Pharmacy
Estimated Annual Fees:		\$302,879.20
Award to:	Vendor 3	ING Employee Benefits Reliastar Life Insurance Company Minneapolis, MN
Item:		Stop Loss
Estimated Annual Fees:		\$1,402,011.08
Award to:	Vendor 4	Deer Oaks EAP Services, LLC San Antonio, TX
Item:		EAP
Estimated Annual Fees:		\$33,933.00
Total Annual Est. Fees:		\$4,375,156.24
Account No.:		04100248 – 45121 - 502119
Funding Source:		Health Insurance & Benefits - Health Benefits
Total Estimated Award:		\$13,125,468.72 (3 year estimate)
Districts:		All

The Office of Management and Budget/Insurance & Benefits, Consultant, and the review committee have met and reviewed the Proposals that were received. It is the recommendation of the committee to award the RFP to the indicated vendors. The Fully Insured Medicare Advantage Option will not be awarded. The proposal responses addressed the scope and intent of the RFP.

This is a thirty-six month contract with the options to extend the contracts for two additional years, one year at a time.

Additionally, it is requested authorization for City Attorney's Office to review and the City Manager be authorized to execute any related contract documents, agreements, and budget transfers necessary during the contract.

AYES: Representatives Lilly, Byrd, Lozano, Castro, Holguin, and O'Rourke

NAYS: Representative Quintana

NOT PRESENT FOR THE VOTE: Representative Ortega

Richarda Duffy Momsen, City Clerk