

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

DEPARTMENT: Human Resources/Insurance & Benefits

AGENDA DATE: October 23, 2012

CONTACT PERSON/PHONE: Linda Thomas, Human Resources Director, 541- 4102
Irene Y. Morales, Human Resources Deputy Director, 541-4448

DISTRICT(S) AFFECTED: All

SUBJECT:

Approve the Employee Benefits that includes Third Party Medical Claims Administration (TPA), Managed Medical Network Access, Utilization Review/Utilization Management, Health and Disease Management, COBRA/HIPAA Administration, Employee Assistance Program, Pharmacy Benefit Management, Flexible Spending Account Administration and Health Savings Account Administration with an effective date of January 1, 2013 as recommended by the benefit committee. The term of the contracts will be January 1, 2013 through December 31, 2015 with two two-year options to renew – January 1, 2016 through December 31, 2017 and January 1, 2018 through December 31, 2019.

BACKGROUND / DISCUSSION:

On June 5, 2012, RFP#2012-256R was released for services for Third Party Medical Claims Administration (TPA), Managed Medical Network Access, Utilization Review/Utilization Management, Health and Disease Management, COBRA/HIPAA Administration, Employee Assistance Program, Pharmacy Benefit Management, Flexible Spending Account Administration and Health Savings Account Administration. All proposals were due on July 11, 2012. There was no extension to this RFP. A listing of all the vendors that submitted proposals under each different coverage is attached.

The evaluation committee members included non-uniformed employees and representatives from the El Paso Municipal Police Officers Association and the Local 51 Fire Fighters Association. The rating of all the vendors was done in accordance with Purchasing Policies and Procedures. The committee members rated each of the different providers and services offered. A best and final round was held September 20, 2012 – September 24, 2012 with the finalists.

The committee is recommending Aetna for Third Party Administration (including Utilization Review/Utilization Management, Health and Disease Management, COBRA/HIPAA Administration, Flexible Spending Account and Health Savings Account Administration) and the Aetna PPO as the Managed Medical Network for the City's health benefit program. Aetna had the highest points in the initial and best and final rounds of TPA scoring and Medical Network scoring.

There were six TPA proposals submitted. The TPA annual fees proposed ranged between \$1.5M and \$2.5M. The lower priced TPA fees did not include administration of the uniformed dental and vision self-insured plans, COBRA or FSA administration. The Blue Cross Blue Shield of Texas (BCBSTX) and Aetna TPA proposals were the most inclusive proposals submitted for the services requested. The Aetna TPA fee was the lower of the two proposals. The estimated first year TPA fee for Aetna is \$2.3M. The monthly rate has a 2% increase the second and third years.

There were six Managed Medical Network proposals submitted. The annual estimated claims costs under each medical provider network were estimated between \$31M and \$39M for the first year. The discount guarantees presented by Aetna and BCBSTX matched the discounts that resulted from the claims re-pricing exercise which was required as part of the RFP. The discount guarantees offered by both Aetna and BCBSTX were good by industry standards (63%). The discount guarantees presented by the other four proposers did not match their respective results of the re-pricing exercise. Furthermore, the penalties the proposers would have paid if the guaranteed discounts were not achieved did not offset the lost savings to the City if discount guarantees were met. The estimated first year claims expenditure under the Aetna network was \$31.4M and under the BCBS network was \$31.3M. The difference in the estimated cost was not enough to merit transitioning to a new provider network.

The committee is recommending Express Scripts (formerly Medco) as the Pharmacy Benefit Manager (PBM). There were seven PBM proposals submitted. The estimated first year pharmacy claims submitted ranged between \$9.8M and \$20M. Express Scripts submitted the lowest estimated cost and best discounts of the PBM proposals. Note, Express Scripts submitted a proposal as a stand-alone PBM, but Health Scope also proposed as a TPA offering PBM services

through Express Scripts. Express Scripts received the highest scores in the initial and the best and final rounds. The discounts and pricing in the other proposals were not as competitive, they charged extra for ad hoc reports, had limited pharmacy networks, did not provide complete pricing information or required bundling the TPA and Medical Network with the PBM. The estimated first year claims expenditure under Express Scripts as a stand-alone PBM is \$9.8M, the same as it would be with Express Scripts through Health Scope. The discounts, rebates, and fees are guaranteed for 3 years.

The committee is recommending Deer Oaks EAP Services, LLC as the provider for the Employee Assistance Program. There were five proposals for EAP services. Deer Oaks received the highest points of the EAP providers. Aetna, Cigna and Humana submitted EAP services as part of their TPA proposals. Blue Cross Blue Shield submitted an EAP proposal thru Magellan Health Services. Deer Oaks submitted the lowest per employee per month fee of the five proposals by 50% or more. Deer Oaks is a national EAP provider focusing on public sector entities. The estimated initial three year cost is \$29,000.00. Non-uniformed employees and their dependents will continue to be eligible to receive three free counseling sessions and/or referrals to medical network providers as necessary. Former non-uniformed City employees and their dependents can continue to receive EAP services for up to six months after their termination of City employment. The proposed rate has a 3% increase in year two and year three.

SELECTION SUMMARY:

This solicitation was advertised on June 5, 2012 and June 12, 2012, and opened on July 11, 2012. On June 5, 2012, postcards were mailed out, the solicitation was posted on the City's website on and the email (Purmail) notification was sent out. Seventeen (12) bidders were solicited and no local bidders responded.

PRIOR COUNCIL ACTION: July 2007, July 2010

AMOUNT AND SOURCE OF FUNDING:

Health Care Providers Services, \$31,000,000 209 - 14060 - 3500 - 521120
TPA Benefits Administrators, \$2,300,000 209 - 14060 - 3500 - 522000
Pharmaceutical Administration, \$150,000 209 - 14060 - 3500 - 521410
Prescription Benefit Payments, \$9,800,000 209 - 14060 - 3500 - 521380
EAP Administrator, \$29,000 209 - 14060 - 3500 - 521420

BOARD / COMMISSION ACTION: None

*****REQUIRED AUTHORIZATION*****

LEGAL: (if required) _____ **FINANCE:** (if required) _____

DEPARTMENT HEAD:  _____

APPROVED FOR AGENDA: _____

CITY MANAGER: _____ **DATE:** _____

**COUNCIL PROJECT FORM
(REQUEST FOR PROPOSAL)**

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

Please place the following item on the **REGULAR** agenda for the Council Meeting of **October 23, 2012**.

Discussion and action on the award of Solicitation No. 2012-256R (Third Party Administrator for the Self-Insured Health Plan) to Aetna Life Insurance Company – TPA and Network Provider, Deer Oaks EAP Services, LLC – EAP and Express Scripts Inc. – Pharmacy Benefit Manager for an initial term estimated award of \$130,635,417.00.

Department: Human Resources/Insurance & Benefits
Award to Vendor 1: Aetna Life Insurance Company
Hartford, CT
Item(s): TPA and Network Provider
Option: Two, 2 Year options
Estimated Annual Fees: \$ 2,300,000.00 (TPA)
Estimated Annual Claims: \$ 31,400,000.00 (Network Provider)
Estimated Annual Claims & Fees: \$ 33,700,000.00
Initial Term Estimated Award: \$ 101,100,000.00 (3 Years)
1st Option Estimated Award: \$ 168,500,000.00 (5 Years)
2nd Option Estimated Award: \$ 235,900,000.00 (7 years)

Award to Vendor 2: Deer Oaks EAP Services, LLC
San Antonio, TX
Item(s): Employee Assist Program
Option: Two, 2 Year options
Estimated Annual Fees: \$ 45,139.00
Initial Term Estimated Award: \$ 135,417.00 (3 Years)
1st Option Estimated Award: \$ 225,695.00 (5 Years)
2nd Option Estimated Award: \$ 315,973.00 (7 years)

Award to Vendor 3: Express Scripts (formerly Medco)
St Louis, MO
Item(s): Pharmacy Benefits Manager
Option: Two, 2 Year options
Estimated Annual Claims & Fees: \$ 9,800,000
Initial Term Estimated Award: \$ 29,400,000.00 (3 Years)
1st Option Estimated Award: \$ 49,000,000.00 (5 Years)
2nd Option Estimated Award: \$ 68,600,000.00 (7 years)

Initial Term: 3 years
Estimated Annual Award: \$ 43,545,139.00
Initial Term Estimated Annual Award: \$ 130,635,417.00 (3 years)
1st Option Estimated Award: \$ 217,725,695.00 (5 years)
Total Estimated Award \$ 304,815,973.00 (7 years)

Account No. Health Care Providers Services, 209-14060-3500-521120
Funding Source: TPA Benefits Administrators, 209-14060-3500-552000
Pharmaceutical Administration, 209-14060-3500-521410
Prescription Benefits Payments, 209-14060-3500-521380

EAP Administrators, 209-14060-3500-521420
All

District(s):

This is a Request for Proposal, Services Contract.

Additionally, it is requested that the City Attorney's Office review and that the City Manager be authorized to execute any related contract documents and agreements necessary to effectuate this award.

The Financial Services - Purchasing Division and Human Resources/Insurance & Benefits recommend award to the highest ranked proposers as indicated based on evaluation factors established for this procurement.

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

COMMITTEE SCORE SHEET

Request for Proposals

SOLICITATION TITLE: THIRD PARTY ADMINISTRATOR FOR TPA, Utilization Review /Utilization Management, COBRA/HIPPA Administration, Flexible Spending Account, Employee Assistance Program, Health Savings Account & Pharmacy Benefit Manager

SOLICITATION NO: 2012-256R

Employee Assistance Program

Vendor #	Aetna	BCBS	Cigna	HealthScope	Humana	Somi	Deer Oaks
Service Capability, Guarantees, and Responsiveness: 40 (# points max)							
Respondents evaluated on responsiveness to proposal request specifications. Details will include readability, completeness, understanding of project scope, and adherence to response format requirements, and performance guarantees offered.	32.71	23.14	28.29	0.00	25.86	0.00	32.86
Fee Proposal: 40 (# points max)							
Provide detailed information on cost submitted.	18.00	12.00	19.00	0.00	16.00	0.00	40.00
Financial Stability: 10 (# points max)							
Responsibility Determination Section as described Page 23.	9.71	8.43	8.43	0.00	8.00	0.00	5.86
Quality of Response to Specification: 10 (# points max)							
Quality and presentation of response to RFP including: (5 pts) - A. Readability, completeness, understanding of project requirements (5 pts) - B. Sample of comparable data from a similar project.	9.57	5.57	8.71	0.00	8.57	0.00	9.86
GRAND TOTAL	70.00	49.14	64.43	0.00	58.43	0.00	88.57
(Maximum 100 points)							
	2	5	3	6	4	6	1

10/9/2012

COMMITTEE SCORE SHEET

Request for Proposals

SOLICITATION TITLE: THIRD PARTY ADMINISTRATOR FOR TPA, Utilization Review /Utilization Management, COBRA/HIPPA Administration, Flexible Spending Account, Employee Assistance
SOLICITATION NO: 2012-256R
Pharmacy Benefit Manager

Vendor #	Aetna	BCBS	Cigna	Express Scripts	HealthScope	Humana	Somi
Service Capability, Guarantees, and Responsiveness: 40 (# points max)							
Respondents evaluated on responsiveness to proposal request specifications. Details will include readability, completeness, understanding of project scope, and adherence to response format requirements, and performance guarantees offered.	29.29	26.29	21.86	37.86	26.29	7.14	16.43
Fee Proposal: 40 (# points max) Provide detailed information on cost submitted.	34.00	28.00	23.00	40.00	40.00	25.00	19.00
Financial Stability: 10 (# points max) Responsibility Determination Section as described Page 23.	9.71	8.43	8.43	7.71	6.43	8.00	5.71
Quality of Response to Specification: 10 (# points max) Quality and presentation of response to RFP including: (5 pts) - A. Readability, completeness, understanding of project requirements (5 pts) - B. Sample of comparable data from a similar project.	8.43	7.43	6.43	8.14	5.86	5.57	5.86
GRAND TOTAL (Maximum 100 points)	81.43	70.14	59.71	93.71	78.57	45.71	47.00
	2	4	5	1	3	7	6

10/9/2012

COMMITTEE SCORE SHEET

Request for Proposals

SOLICITATION TITLE: THIRD PARTY ADMINISTRATOR

SOLICITATION NO: 2012-256R

Provider Network

Vendor #	Aetna	BCBS	Cigna	HealthScope	Humana	Somi
Service Capability, Guarantees, and Responsiveness: 30 (# points max)	28.67	24.33	12.17	17.83	7.17	8.33
Respondents evaluated on responsiveness to proposal request specifications. Details will include readability, completeness, understanding of project scope, and adherence to response format requirements, and performance guarantees offered.						
Fees, and Negotiated Rates 55 (# points max) Provide detailed information on cost submitted.	55.00	55.00	49.00	48.00	49.00	44.00
Financial Stability: 10 (# points max) Responsibility Determination Section as described Page 23.	9.71	8.43	8.43	6.43	8.00	5.71
Quality of Response to Specification: 5 (# points max) Quality and presentation of response to RFP including: Readability, completeness, understanding of project requirements	4.86	4.57	2.00	4.00	2.14	1.86
GRAND TOTAL	98.29	92.71	70.57	76.57	66.00	59.43
(Maximum 100 points)						
	1	2	4	3	5	6

10/9/2012

COMMITTEE SCORE SHEET

Request for Proposals

SOLICITATION TITLE: THIRD PARTY ADMINISTRATOR FOR TPA, Utilization Review /Utilization Management, COBRA/HIPPA Administration, Flexible Spending Account, Employee Assistance
SOLICITATION NO: 2012-256R

Third Party Administrator

Vendor #	Aetna	BCBS	Cigna	HealthScope	Humana	Somi
Service Capability, Guarantees, and Responsiveness: 40 (# points max)						
Respondents evaluated on responsiveness to proposal request specifications. Details will include readability, completeness, understanding of project scope, and adherence to response format requirements, and performance guarantees offered.	33.71	31.00	14.71	21.14	9.00	10.29
Fee Proposal: 40 (# points max) Provide detailed information on cost submitted.	26.00	26.00	40.00	39.00	29.00	24.00
Financial Stability: 10 (# points max) Responsibility Determination Section as described Page 23.	9.71	8.43	8.43	6.86	8.00	5.86
Quality of Response to Specification: 10 (# points max) Quality and presentation of response to RFP including: (5 pts) - A. Readability, completeness, understanding of project requirements (5 pts) - B. Sample of comparable data from a similar project.	8.00	8.00	5.00	6.57	5.00	5.43
GRAND TOTAL	76.43	70.43	68.14	70.57	50.00	43.57
(Maximum 100 points)						
	1	3	4	2	5	6

10/9/2012



CITY OF EL PASO REQUEST FOR PROPOSAL TABULATION FORM



Bid Opening Date: JULY 11, 2012

Project Name: THIRD PARTY ADMINISTRATOR FOR THE SELF-INSURED HEALTH PLAN

Solicitation #: 2012-256R

Department: HUMAN RESOURCES

AETNA	HARTFORD, CT
BLUE CROSS BLUE SHIELD OF TEXAS	RICHARDSON, TX
CIGNA	PLANO, TX
DEER OAKS EAP SERVICES	SAN ANTONIO, TX
EXPRESS SCRIPTS	FRANKLIN LAKES, NJ
HEALTH SCOPE BENEFITS	LITTLE ROCK, AR
HUMANA	SAN ANTONIO, TX
SHEFFIELD, OLSON & MCQUEEN, INC.	ST. PAUL, MN
WELLS FARGO WHOLESALE BANKING	MINNEAPOLIS, MN
RFPs SOLICITED: 12,	RFPs RECEIVED: 9
RFPs LOCAL: 0	NO RFPs: 0

NOTE: The information contained in this rfp tabulation is for information only and does not constitute actual award/execution of contract.

APPROVED: _____

DATE: _____

August 11, 2012

AETNA
ATTN: LOUIE HEERWAGEN - SALES VICE
PRESIDENT, NATIONAL ACCOUNTS
2777 STEMMONS FREEWAY, 3RD FLOOR
DALLAS, TX 75207

CATALYST RX
ATTN: JOANNA FICKLIN
800 KING FARMBOULEVARD
ROCKVILLE, MD 20850

EXPRESS SCRIPTS INC.
ATTN: JON MOLBERG - ACCOUNT
EXECUTIVE
8111 ROYAL RIDGE PARKWAY
IRVING, TX 75063

SYSTEMED (MEDCO HEALTH SOULTIONS,
INC.)
ATTN: DAN MILKENS - VICE PRESIDENT,
SALES
826 DOWNING STREET
NORTHBROOK, IL 60062

BLUECROSS-BLUESHIELD
ATTN: JANET PENNINGTON - REGIONAL
SALES REPRESENTATIVE
1001 E. LOOKOUT DRIVE, TOWER B 14TH
FLOOR
RICHARDSON, TX 75082
CIGNA HEALTHCARE
ATTN: TODD BROCK - SENIOR ACCOUNT
EXECUTIVE - SALES DIVISON
2250 WEST JOHN CARPENTER FREEWAY,
SUITE 400
IRVING, TX 75063

HUMANA, INC.
ATTN: ANDREW GROVE - LARGE GROUP
PRACTICE LEADER
8431 FREDERICKSBURG ROAD, SUITE 500,
SAN ANTONIO, TX 78229

UNITED HEALTHCARE
ATTN: JOHN BASS - VP SALES (PUBLIC
SECTOR)
6200 NORTHWEST PARKWAY
SAN ANTONIO, TX 78249

CVS CAREMARK
ATTN: JON ARLOTTA - STRATEGIC
ACCOUNT EXECUTIVE
9501 E. SHEA BLVD.
SCOTTSDALE, AZ 85260

ENVISION RX OPTIONS
ATTN: GLENN JASPER, R.PH. -
REGIONAL VICE PRESIDENT
1901 SPLIT MOUNTAIN
CANYON LAKE, TX 78133

HIGHMARK
ALBERT LUCIO - REGIONAL SALES
DIRECTOR
8214 WESTCHESTER, SUITE 600
DALLAS, TX 75225

UNICARE
ATTN: MIKE RYAN - LARGE GROUP
SALES (DALLAS & HOUSTON OFFICE)
3220 AMERICAN DRIVE
PLANO, TX 75075-6126