



City of Greensboro

Market Bidding Evaluation

Best and Final Offering (BAFO) – May 11, 2016

Executive Summary

- Competitive proposals for the administration of City of Greensboro's medical program were solicited from the following vendors:

Vendor	Network
United Healthcare (Incumbent)	Choice Plus Plan
BlueCross BlueShield North Carolina (BCBS NC)	BlueCard PPO
Cigna	Open Access Plus
Aetna	Declined to Quote
Aon Drug Coalition – CVS Caremark	Broad Network

- BCBS NC provided a competitive proposal, but was not selected as a finalist, primarily due to concerns about customer service and account management, compared to UHC and Cigna.
- Vendors were asked to provide ability to mirror current plan design as well as the proposed plan design including CDHP option. Vendors were requested to provide their capabilities with integrated wellness programs to help manage and reduce overall cost. Available programs are not included in any of the financial projections.
- Vendors also offered implementation and wellness credits, which are intended to offset transition costs. Those amounts are not included in our projected savings, since they in essence only offset internal costs of transition.

BAFO Executive Summary- Medical / Rx Only

We have compiled the Plan Year 2017 Options for Consideration for the City and recommend **Option 3**, per scorecard.

- **Option 1—Keep UHC for medical and pharmacy.** Includes \$933,000 in negotiated pharmacy savings and additional \$210,000 medical administrative fee negotiated savings (total of \$1.1 million) and request improved annual reporting capabilities and wellness integration / initiatives.
- **Option 2—Keep UHC and carve out the drug benefit to Caremark through the Aon Caremark Coalition.** Additional \$380,000 savings more than Option #1 (total of \$1.5 million) to carve out pharmacy. Disruption related to change in formulary, adding another vendor, and coordinating medical and drug claims between UHC and Caremark.
- **Option 3—Replace UHC with Cigna, including use of Cigna's PBM.** Additional \$1.16 million savings more than Option #1 (total of \$2.2 million). Disruption from changing medical claims systems and drug formulary (the medical network disruption is not significant—similar medical network as UHC). Potential stop loss premium savings not reflected in these savings. Assumes COBRA transitions from UHC.
- **Option 4—Replace UHC with Cigna and carve out the drug benefit to Caremark through the Aon Caremark Coalition.** Additional savings of \$1.4 million more than Option 1 (total of \$2.5 million). Similar disruption as Option 3, but compounded by adding two new vendors, who need to coordinate with each other. Assumes COBRA transitions from UHC.

Note:

Options 3 and 4 savings do not factor in one-time UHC run-out administration fees of \$280,000- \$420,000 (varies based on length of run-out). Your IBNR claim liability may be sufficient to cover these fees. They also do not factor in the \$20,000 cost to move COBRA admin. to another vendor from UHC. Moving vision to another vendor is cost neutral.

Executive Summary- Pros / Cons of Options #1 - #4

Options	Pros	Cons
#1 Keep UHC medical and pharmacy (\$1.1M savings)	Employer Impact: <ul style="list-style-type: none"> No change in administration processes/transition issues Additional \$75k in annual credits Employee Impact: <ul style="list-style-type: none"> Customer service satisfactory with UHC No transition issues 	Employer Impact <ul style="list-style-type: none"> Lose improvement in reporting and consulting on medical plan solutions from Cigna and pharmacy solutions from CVS Caremark Lose potential physician driven improvement in care from Cigna ACO
#2 Keep UHC medical and replace pharmacy with CVS Caremark (\$1.5M savings)	Employer Impact: <ul style="list-style-type: none"> No change in medical administration processes/transition issues Additional \$75k in annual credits Specialized focus on pharmacy solutions, including annual audit and market check on pricing at no cost Employee Impact: <ul style="list-style-type: none"> Customer service satisfactory with UHC No transition issues on medical plan 	Employer Impact <ul style="list-style-type: none"> Lose potential improvement in reporting and consulting on medical plan solutions from Cigna Lose potential physician driven ACO model from Cigna Two separate contracts; 3 year deal with CVS. PBM transition issues and additional vendor file feeds Employee Impact: <ul style="list-style-type: none"> Change in drug formulary (16% positive/8% negative) and separate CSU for drugs
#3 Replace UHC with Cigna medical and pharmacy (\$2.2M savings)	Employer Impact: <ul style="list-style-type: none"> Enhanced reporting and consulting capabilities from Cigna Potential physician driven improvements in care from Cigna ACO Additional \$120k in annual credits Single contract with 3 year deal Employee Impact <ul style="list-style-type: none"> Favorable independent reviews of Cigna customer service from other NC government clients Minor impact (3%) of change in medical network 	Employer Impact <ul style="list-style-type: none"> Additional work to handle medical and PBM transition Lose better pharmacy reporting/consulting from CVS Caremark Additional work to handle medical and PBM transition with one new vendor, plus on-going additional vendor file feeds Employee Impact <ul style="list-style-type: none"> Change in drug formulary (14% positive/6% negative) and CSU access
#4 Replace UHC medical with Cigna. Replace UHC pharmacy with CVS Caremark (\$2.5M savings)	Employer Impact <ul style="list-style-type: none"> Enhanced reporting and consulting capabilities from Cigna Potential physician driven improvements in care from Cigna ACO Specialized focus on pharmacy reporting and consulting from CVS Caremark, including annual audit and market check on pricing at no cost Additional \$40k in annual credits Employee Impact <ul style="list-style-type: none"> Favorable independent reviews of Cigna customer service from other NC government clients Minor impact (3%) of change in medical network 	Employer Impact <ul style="list-style-type: none"> Additional work to handle medical and PBM transition—with two new vendors—plus ongoing additional vendor file feeds Two separate contracts; 3 year deal with CVS. Employee Impact <ul style="list-style-type: none"> Change in drug formulary (16% positive/8% negative) and separate CSU access for drugs

BAFO Executive Summary: Medical and Pharmacy Scorecard

	Weight	UHC Carve-In Rx	UHC CVS	Cigna Carve-In Rx	Cigna CVS
Medical Financial Assessment	40%	3.23	3.23	4.00	4.00
• Medical Discounts	70%	3.00	3.00	4.00	4.00
• Medical Administrative Costs (fees)	15%	4.00	4.00	5.00	5.00
• Credits and Allowances	15%	3.50	3.50	3.00	3.00
Pharmacy Financial Assessment	20%	2.95	3.80	3.40	4.03
• Pharmacy Pricing	70%	4.00	5.00	4.00	5.00
• Credits and Allowances	15%	1.00	2.00	4.00	3.50
Network/Formulary Assessment	20%	4.00	4.08	4.08	4.08
• Provider Access	20%	4.00	4.00	4.00	4.00
• Provider Match	50%	4.00	4.00	4.00	4.00
• Formulary Assessment	30%	4.00	4.25	4.25	4.25
Administrative Requirements	20%	3.44	2.81	3.13	2.50
• Account management	25%	3.00	2.75	4.00	3.75
• Member services	25%	3.00	2.50	3.00	2.50
• Reporting/Consulting	25%	2.75	3.00	3.50	3.75
• Transition to new Administrator	25%	5.00	3.00	2.00	-
TOTAL	100%	3.37	3.43	3.72	3.72

Ranking Key:

1.0= below standard

3.0= standard

5.0= greatly exceeds standard

*Network disruption is minimal with Cigna (<3%) and includes gaining providers that are currently considered OON with UHC.

BAFO Financial Analysis—Medical / Rx Administrative Fees

Base ASO Fees	UHC Medical Only	Cigna Medical Only	UHC Medical/Rx	Cigna Medical/Rx
Calendar Year 2015 Current	N/A	N/a	\$	N/A
Calendar Year 2016	\$38.38	\$35.69	\$35.38	\$29.19
Calendar Year 2017	\$38.38	\$35.69	\$35.38	\$29.19
Calendar Year 2018	\$38.38	\$35.69	\$35.38	\$29.19
Run-out	Included	Included	Included	Included
Medical Allowances/Credits	UHC 2017	Cigna 2017	UHC 2018 and 2019	Cigna 2018 and 2019
Implementation/Communication	\$25,000	Included in credit	\$25,000	Included in credit
Pre-Implementation Audit Medical	\$0	Included in credit	\$0	Included in credit
Wellness Credits	\$50,000	Included in credit	\$50,000	Included in credit
Total Medical	\$75,000	\$40,000	\$75,000	\$40,000
Three-year Rx Allowances/Credits	\$80,300 plus free audit/ market check (CVS)	\$80,300 plus free audit/ market check (CVS)	\$0	\$305,000

Note:

- Fees are composite rates and based on current plans. Additional PEPM cost apply for the administration of the proposed CDHP (UHC: \$1.05 PEPM and Cigna: \$4.50). The fees include the cost of disease management, clinical programs, network access and MH/SA programs but exclude the cost of biometric screening, health risks assessment, feedback from health professionals and online wellness campaigns.
- Fees assume stop loss is carved into each carrier. Additional charge applies if carved out to 3rd party vendor as follows: UHC: \$1.00 PEPM and Cigna: \$0.50 PEPM.
- The current UHC PEPM fee does not cover run-out administration. Should the City move from UHC, their run-out fee is additional \$280,000- \$420,000 (varies based on length of run-out). Some employers include this potential run-out fee in the IBNR liability on their books.

BAFO Financial Analysis—Medical Discount Guarantee

Discount Guarantee Comparison (In Network)		UHC	BCBS NC	Cigna
Networks		Choice Plus	BlueCard PPO	Open Access Plus
1.	Guarantee Period	2016	2016	2016
2.	Vendor Guarantee Overall	44.20%	43.08%	46.70%
3.	Risk Corridor	1%	3%	2%
4.	Penalty	25% of administrative fees	Up to 10% of administrative fees	\$162,816
5.	Penalty Range	n/a	2% to 10%	n/a

BAFO- Vision Scorecard

	Weight	UHC	MetLife	Superior Vision
Financial Assessment	45%	3.0	3.8	3.5
• Vision Network Discounts	50%	3.0	3.5	4.0
• Fully Insured Rates (100% Employee Paid)	50%	3.0	4.0	3.0
Network Assessment	45%	1.6	2.7	3.7
• Provider Disruption	30%	3.0	2.0	3.0
• Unique Provider Counts (Guilford County/Greensboro)	70%	1.0	3.0	4.0
Administrative Requirements	10%	2.0	0.8	0.8
• Transition to new Administrator	40%	5.0	2.0	2.0
• Mirror current vision plan design	60%	3.0	3.0	3.0
TOTAL	100%	2.3	3.0	3.3

Ranking Key:

1.0= below standard

3.0= standard

5.0= greatly exceeds standard

BAFO- Vision Provider and Location Counts

Vision Provider Counts	UHC- Spectera	MetLife	Superior Vision
<ul style="list-style-type: none"> Greensboro Unique Providers Greensboro Unique Locations 	<ul style="list-style-type: none"> 36 Providers 52 Locations 	<ul style="list-style-type: none"> 51 Providers 19 Locations 	<ul style="list-style-type: none"> 78 Providers 45 Locations
<ul style="list-style-type: none"> Guilford County Unique Providers Guilford County Unique Locations 	<ul style="list-style-type: none"> 36 Providers 52 Locations 	<ul style="list-style-type: none"> 64 Providers 28 Locations 	<ul style="list-style-type: none"> 93 Providers 65 Locations