



Legislation Text

File #: ID 16-0687, **Version:** 1

Resolution Authorizing Contract 2016-0514 with United Health Care (UHC) for Medical Plan Administration Services

Department: Executive
Council District: N/A

Public Hearing: N/A
Advertising Date/By: N/A

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PURPOSE:

The City of Greensboro contracts with a Third Party Administrator that is specialized in the areas of providing healthcare benefits plan administration and customer service related to the City's Medical Plan. The three-year contract, with two potential one-year renewals, will exceed \$100,000 and requires City Council approval.

BACKGROUND:

AON Consulting conducted and managed a Request for Proposal (RFP) process for the City of Greensboro for medical plan administration and pharmacy coverage (see attached RFP). The RFP provided the process parameters and selection criteria desired by the City. In addition, the RFP also permits the City the ability to: reject any or all proposals, clarify any ambiguities, modify any criteria in this RFP, and negotiate exclusively with one or more vendors of choice.

AON solicited best and final offers from the two most responsive proposers (United Health Care and Cigna) and developed/presented a summary evaluation of their findings and plan options for my consideration on May 11, 2016 (see attached evaluation). During the review and based on issues associated with the City carving out its drug benefit plan, options #2 and #4 were eliminated from consideration and, options #1 (Keep UHC for medical and pharmacy) and #3 (Replace UHC with Cigna, including use of Cigna's PBM) remained.

The evaluation information provided by AON for options #1 and #3 was scored and weighted in following four categories: Medical Financial Assessment, (40%), Pharmacy Financial Assessment (20%), Network Formulary Assessment (20%) and Administrative Requirements (20%). All criteria for both proposers rated in the "standard" range or above. With the overall score provided by the consultant's score card for Cigna rating .35 point higher than UHC (i.e., Cigna - 3.72, UHC 3.37). Based on the scoring, AON recommended (with general concurrence from HR staff involved in the process), that I consider option # 3 to recommend to City Council (i.e., it is important to note that the recommendation of AON is not binding on the City or City Council).

CITY MANAGER'S RECOMMENDATION:

Based on my review of all information provided to me on the RFP process, I recommend City Council consider

moving forward with option #1 (Keep UHC for medical and pharmacy) as the best the best option for the City of Greensboro. In short, my recommendation is made based on the following factors:

1. Staying with the incumbent provider (United Health Care) will result in an annual cost savings to the City of +/- \$1.1 Million over our current contract price (i.e., \$933,000 in negotiated pharmacy claims savings, an additional \$210,000 in negotiated administrative fee savings). While there may be additional projected savings to be derived from a change to Cigna (i.e., additional \$200,000 in negotiated administrative fee savings and possible \$900,000 in additional projected medical claims savings - this is based on a review of the City's 2015 medical claims and will vary from year to year), the additional projected savings from a new and untested provider do not, in my opinion, outweigh the risks, costs, and other potential disruptions associated with changing carriers at this time (see factors 2 and 3 below).
2. Staying with the incumbent provider will avoid any plan transition issues, plan transition costs, and other associated transition fees for our members, staff, and the City. Any transition to a new provider will require a significant amount of staff time and effort to implement and may create transition issues for our plan members (including the internal time and costs to implement a new claims system and vendor file changes, educating and working with plan members on the details of the new company and their plan, and potential impacts of changes drug formularies and/or access to some physicians that are currently part of the UHC network). These uncertainties and costs were not appropriately considered or weighted in the Consultant's review and scorecard and, lead me to weight the categories of Medical Financial Assessment and Administrative Requirements differently in my final scoring of the two proposers. Attached is my revised scorecard.
3. In addition, the City would also be obligated to cover claims run-out fees estimated to be between \$280,000-\$420,000 based on either a six (6) month or twelve (12) month run out period with a change. And finally, the City has an established working relationship with UHC and to the best of my knowledge and based on lack of complaints; our plan members view UHC as providing highly acceptable customer service and plan support.

Based on these factors and my final scoring of the proposers, I ended up with a higher overall point value for Option #1 and am therefore recommending this option to Council for contract award consideration (it is important to note that the Consultant's information on this process states that the City can adjust weighting of scorecard to reflect different priorities and the RFP permits the City to modify any criteria in the RFP).

The M/WBE Office also assisted in a search to find historically under-utilized firms to solicit for the bids. Four of the major healthcare carriers were invited by Aon Consulting to submit a response to the contract opportunity. A total of three carriers submitted responses to the RFP. Of those responding, none were State certified M/WBE firms.

BUDGET IMPACT:

The total estimated annual contract value is \$1,541,000. The three year estimated total is \$4,623,000. Funds for this contract in the amount of approximately \$770,500 will be available 1/1/2017 and \$1,541,000 will be available in fiscal year 2017-18. Funding for subsequent years is subject to future City Council appropriations. If approved, we anticipate negotiating for additional service enhancements through UHC.

RECOMMENDATION / ACTION REQUESTED:

Awarding a three-year contract with two potential one-year extensions to UHC. Council approval of a

resolution authorizing Contract # 2016-0514 for Medical Plan Administration Services is requested.