

City of Columbia, MO

RFP # 44-2017

Summary of Bids

May 4, 2017

The City of Columbia RFP 44-2017 Employee Benefits Package covered the following lines of coverage: Health (Medical Plan) Administrative Services/COBRA, Pharmacy, Stop Loss, Dental, Life, Disability, Vision, Worksite Benefits and Wellness.

Health/Medical Plan Analysis

We received three proposals for medical plan administrative services. The proposals were from Aetna, Anthem BlueCross BlueShield (Anthem) and United HealthCare (UHC). UHC is the incumbent and provided the most competitive offer for the following reasons:

- **Medical Discount Analysis**

- The vendor reported medical repricing results were as follows:
 - Aetna: 47.59% net average discount
 - Anthem: 50.01% net average discount
 - UHC: 52.00% net average discount
- Based upon 2016 claim levels, UHC's discount advantage over the other carriers was more than \$370,000 in better savings to the City and its employees
- Trending those claims at 6% annually to calendar year 2018 through 2020 creates a 3-year differential of over \$1,300,000
- UHC was the clear winner in discounts

- **Medical Fixed Costs**

- Net of rebate credits, UHC has the lowest net administrative costs all three years
 - Over \$100,000 lower than Aetna and \$150,000 lower than Anthem annually
- Anthem was lower on Individual Stop Loss coverage by about \$83,000
 - Anthem stop loss contract was incurred in 18 and paid in 12 months
 - This coverage is not as comprehensive as UHC's contract which is paid in 12 (regardless of when incurred)
- Combined Administrative and Individual Stop Loss coverage – UHC was about \$69,000 lower for 2018

- **Rx Costs compared to Carved-In Carrier proposals**

- UHC offered higher discount guarantees
- UHC offered the highest rebate credits

- Without trending, UHC would save over \$700,000 over the other carrier offers over the 3-years that were quoted
- **Wellness Plan Continuity**
 - The City's current wellness program utilizes many UHC system features and programs including United Personal Rewards
 - UHC will continue to provide an annual wellness credit of \$40,000

Rx Carve-Out Considerations

The City did receive proposals from Rx Purchasing Coalitions to provide carved-out PBM (Prescription Benefit Management) services. These proposals had potential to offer better long term savings, but had significant cash flow and other implications. The decision was made to keep the prescription drug coverage with UHC. Some of the considerations and implications reviewed are as follows:

- **Rx Coalition Pricing is Very Competitive**
 - Better discount guarantees
 - Lower dispensing fees
 - Significant Rebate guarantees
- **Additional UHC costs if Rx is Carved-Out**
 - Lose rebate credits, so monthly administrative fee goes up \$25.96 per covered employee/retiree per month in 2018 and 2019 and \$28.39 in 2020
 - UHC would charge an additional \$9.11 per employee per month to integrate with the PBM and to manage the combined out-of-pocket maximums
 - UHC would charge a set-up fee estimated at \$12,000 to establish the file feeds with the PBM
- **Stop Loss Implications**
 - UHC won't cover Rx under their stop loss coverage unless they are administering the Rx coverage
 - We would have to carve out the stop Loss coverage to continue to get Rx stop loss protection
 - UHC would charge \$1.00 pepm to interface with the stop loss carrier (or about \$16,000 per year)
 - There would be cash flow implications since there would be greater delays in getting high cost claimants reported, processed and reimbursed – verses immediate automatic reimbursement with UHC
 - No stop loss carrier was willing to provide a proposal this far in advance of the coverage start date
- **Cash Flow of Rebates verses Rebate Credits**
 - Rebate credits are applied immediately to lower administrative costs before they are paid
 - Rebates are paid 4-5 months after the end of the quarter in which they were earned

- Thus, the City would go 7-8 months without rebate credits before they would receive their first rebate check
- Plus the administrative rate would be higher
- Plus the stop loss interface fee
- Plus delayed stop loss reimbursements
- The first six months we estimate the City would pay out about **\$260,000** more if we carve-out Rx to the most competitive PBM proposal
- If it takes 8 months to receive your first rebate check, the City could have paid over \$340,000 more in fees by that time
- The estimated first year cash flow impact is that the City will pay out over **\$240,000** more in 2018 if the Rx coverage is carved out
- The 3-year impact is that the City will pay out \$51,000 more (but would still be owed about \$290,000)

After considering all of these implications, the decision was made to leave the Rx coverage with UHC.

Dental Plan Analysis

The City received proposals from nine carriers, plus a renewal from the incumbent administrator, Dearborn National.

- **Dental Network and Discount Analysis**
 - Delta Dental of Missouri (Delta) had the best overall discount potential
 - Delta has 2 levels of dental network
 - 20% of the City's claims were in their PPO network getting 31% discounts
 - 73% of claims are in their bigger (Premier) network, but only getting 9.6% discounts
 - So that is a combined **93% network penetration**
 - Combined, Delta has by far the best network penetration and net average discount results at 15.6%
 - Cigna has the second best network penetration at 46%, but only 20.9% network discounts for a net average discount of 10.2%
 - Sun Life had about 25% of paid claims in-network at 30% discounts, but the net average discount is 7.5%
 - Others had 27-31% discounts but low penetrations, so only 8-10% average discounts
- **Insured Dental Quotes**
 - The City received 3 insured dental quotes that were below the current premium equivalent rates
 - Cigna was 4% below current with a 2-year rate guarantee
 - Delta was 5% below current with a 2-year rate guarantee
 - Sun Life was 7% below current with a 2-year rate guarantee

The City has had complaints about the dental network and the choice of network dentists. With the size of Delta's network and the historic degree of network penetration it achieved, the decision was made to go with Delta Dental. Since Delta's insured quote was 5% below current premium equivalent rates and guaranteed for 2-years, the decision was made to accept the guaranteed cost level and go fully insured.

Vision Plan Analysis

The City received vision plan proposals from 11 carriers plus the incumbent VSP. The vision plan is a voluntary employee pay all plan, thus maintaining access to previously utilized providers is a priority.

- **Vision Rate Comparison**
 - VSP offered a 13% reduction in rates and a 4-year rate guarantee
 - However, there were 4 carriers that offered rate reductions of 35% or more
 - Cigna was 36% below current
 - NVA (National Vision Administrators) was 44% below current
 - Sun Life was 35% below current
 - VBA was 35% below current
- **Vision Network Disruption**
 - Cigna uses a variation of VSP's network with additional providers added
 - All of network providers utilized by the City's employees in 2016 were in Cigna's network
 - NVA was missing some key providers utilized by the City
 - Sun Life utilizes VSP's network and thus had an exact match to network providers
 - VBA had significant network disruption

Since Cigna could provide 36% reduction in current rates with no network disruption, the decision was made to place the coverage with them. However, Cigna has now indicated that their vision proposal is only good if they also get the dental coverage.

Therefore, the recommendation is to place the coverage with Sun Life, which uses the VSP network and is providing a 35% reduction off current rates.

Life and Disability Plan Analysis

- **Life Analysis**
 - Dearborn National offered a 32% reduction in current Basic Life and AD&D rates
 - Lincoln Financial offered a 26% reduction
 - Aetna offered a 15% reduction in current
 - All other proposals were equal to or higher than current
- **Disability Analysis**
 - Dearborn offered a rate hold (no change) to current rates
 - Aetna offered a 2% reduction to current rates
 - Lincoln Financial offered a 8% reduction to current rates

- All others proposals were equal to or higher than current
- **Combined Analysis**
 - Aetna's proposal would produce almost \$15,000 in annual savings
 - Dearborn National's proposal would produce about \$24,000 in annual savings
 - The Lincoln Financial proposal would produce about \$36,000 in annual savings

The City has experienced some service issues with Dearborn National. Since the City would save the most by placing the coverage with Lincoln Financial, the decision was made to go with them

Worksite Benefit Analysis

The City currently offers Accident, Critical Illness and Supplemental Medical (Hospital Indemnity) as voluntary worksite benefit coverages.

The City wished to continue to offer these three types of coverages but with potentially enhanced benefits or lower rates.

After detailed analysis and review, the decision was made to move the coverages to Allstate.