

Memorandum

To: Cynthia Mares, Director Administrative Services
Webb County

CC: None

From: Roger Garza, LHIC, LUTCF
Valley Risk Consulting

Date: 09-2-14

Re: RFP #2014-04

Webb County Purchasing Department solicited Request for Proposals (RFP) # “2014-04 Third Party Administration (TPA) Preferred Provider Network Organization (PPO) Stop loss insurance, Pharmacy Benefit Pharmacy (PBM) and Self-Funded Dental Administration”. A total of eleven (11) proposals were received on the due date of July 31, 2014. Vendors submitted in multiple forms, including; standalone TPA, PBM, Stop loss insurance and Dental administration. Vendors are: Texas Association of Counties (TAC), Aetna, UnitedHealthcare, ING (stop loss only), Frates Benefit Administrators (TPA), Delta Dental, Humana Pharmacy (PBM), HEB (PBM), Phoenix (PBM) and ProAct (PBM). All vendors met or exceeded the RFP requirements individually or in combination with other services.

A brief description of your plan: Webb County is a self-insured political subdivision as outlined under chapter 791 of the Labor Code. Contributions are funded by the County are administered by a Third Party Administrator (TPA) retained by the entity to distribute benefit payments to medical providers.

The program offers one (1) tier plan design only. The benefits included are 10% coinsurance amount after a deductible amount of \$500 and out of pocket amount of \$1500 per individual employee. The total out of pocket amount for each employee under co share deductible is \$2000 and the family out of pocket co share amount is \$6000 with no lifetime limits. Pharmacy benefits are payable at 100% after a copayment amount of \$7 generic, \$25 brand and \$40 non formulary. Dental benefits are included in the package of benefits. The plan is considered non-grandfathered under current ACA public law. Please refer to the attached summary for an outline of cost.

Texas Association of Counties (TAC)

TAC is the current incumbent for the Webb County medical plan. TAC operates under chapter 791 of the labor code and applies risk pool concepts for administration. TAC has provided medical plan administration services to Webb County utilizing an agreement with Blue Cross Blue Shield as a pass thru arrangement since 1999. When evaluating the proposed offer we focus on the underwriting caveats to determine whether the plan could conform to their request. Caveats assume TAC will provide all services including; Administration, stop loss and PBM. Their medical program will not be made available should you select another PBM to manage your prescription drug benefits. This mandatory request, although not unusual, limits the evaluation of the independent PBMs since most TPA's rely on spread cost (difference between paid and reported) as a source of additional revenue. TAC co-shares pharmacy rebates and Rx rebates are credited to the medical plan on a monthly basis. Further, the underwriting caveats mandate certain requirements including that the retirees pay the same premium as active employee.

*Committee voted to select TAC as a finalist for consideration and negotiations.

Aetna

Aetna submitted a proposal comparable to current enforce program with the exception of the Dental plan administration. Their PPO network is extensive and offers to assist the plan by either utilizing one hospital group or both. Aetna's stop loss submittal is competitive and meets the industry standards for coverage. Underwriting caveats appear to be flexible to the plan's needs and would allow the County to manage its own PBM without any program penalties. In addition, they offer \$7500 transition allowance, \$10,000 wellness allowance, 24 hour nurse line and inpatient/outpatient precertification as an incentive. For the purpose of this evaluation, we included Delta Dental in one of the examples. We believe this offer is firm and should be given consideration.

*Committee voted to select Aetna as a finalist for consideration and final negotiations

UnitedHealthcare

UnitedHealthcare proposed an offer which included a 3-tier program. Their PPO network is extensive across Texas including Webb County, Texas. The underwriting caveats assumes that they will retain all pharmacy rebates, apply a 35% of savings charge for all out of network claims. The caveats further state that retirees would not be included in the stop loss aggregate which in either case would have a 2 million dollar annual limit. In addition, Webb County would be required to sign a hold harmless agreement indemnifying the carrier in the event of fines or penalties imposed on the plan sponsor by the government or any of its entities. Although, we are finding more insurance carriers making this request, government code prohibits political subdivisions from their party indemnification. The quote included a \$5.25 commission fee to be paid to insurance agents which was inconsistent with RFP specifications. We do not feel this quote is in the best interest of the plan.

Frates Benefit Administrators

Frates Benefit Administrators (FBA) is the only independent TPA making this offer. Their administration fees are competitive as oppose to the traditional insurance carriers. FBA's administration offer was merged with ING, the only stop loss quote the purchasing department received. FBA will administer the summary of benefits as outline or adjust them at the County's request. Their PPO network, FirstHealth, is a state wide network and can be tailored to a single source medical provider. FirstHealth is more extensive in the upper part of South Texas as compared to Webb County. FBA acting as a Third Party Administrator, breaks down the fees by each service and does not have any underwriting caveats or plan restrictions. This offer is transparent and should be afforded consideration.

Summary:

Insurance committee members met on August 20, 2014 for a briefing of the RFP's. At the conclusion of that meeting, members authorized our firm to begin negotiations with Texas Association of Counties (TAC) and Aetna Insurance Company. Vendors were asked to counter offer their proposals and update any additional services and submit by Friday, August 29, 2014. Both vendors responded positively with our request.

Aetna's counter offer expanded its standard services by offering to provide an account manager to oversee transitional services on a monthly basis. Their administration fees were adjusted slightly however, there was no significant changes to their counter offer that would offset the cost to transition or disruption of services. The offer included a second and third year rate guarantee not to exceed 3% of original cost. Additional services listed were appealing, but otherwise not necessary service items currently utilized. (Refer to supplemental attachment)

Texas Association of Counties (TAC) in association with Blue Cross counter offered by reducing their claim administration fees (see attachment) and now appears as the most competitive offer. The pharmacy Rx rebates average approximately \$10 per employee per month or \$183,000 annually. The substantial credit offsets administration fix cost to the plan.

In addition, TAC has agreed to consider administering a 2nd tier benefit plan (if approved by Commissioner's Court) with benefit adjustments to the coinsurance and deductibles amounts to offset rising annual healthcare cost.

After carefully comparing both selected vendors, we are of the opinion that Texas Association of Counties offers the most competitive proposal with no disruption to current services. We recommend an award to TAC for a term of 1 year with 2 additional one year terms subject to attorney review of all Interlocal agreements.

Counter offers for RFP # 2014-04

Texas Association of Counties (TAC)

Claims Administration Fees	\$41.25	\$39.95
PPO Network	\$0	\$0
UR Fees	\$0	\$0
PBM Fees	\$0	\$0
Stop Loss Individual (\$220,000) 24/12	\$30.95	\$30.95
Stop Loss Aggregate	\$3.40	\$3.40
Other Fees	\$2.00	\$2.00 (optional)
Dental Administration	\$3.56	\$3.56

*source TAC's counter offer

Aetna Insurance

Claims Administration Fees	\$42.29	\$41.84
PPO Network	\$0	\$0
UR Fees	\$0	\$0
PBM Fees	Not Included	Not Included
Stop Loss Individual (\$225,000) 18/12	\$45.28	\$45.28
Stop Loss Aggregate	\$4.54	\$4.54
Other services	\$7500.00 one time (Transition allowance) \$10,000 ongoing Wellness allowance	\$7500.00 one time (Transition allowance) \$10,000 ongoing Wellness allowance
Dental Administration	Did not include	Did not include

*source Aetna's counter offer