



Staff Report

File #: 16-041A, **Version:** 1

Ratified by BCC on 1/10/2017

Agenda Date: 1/10/2017

Subject:

Ratification of the County Administrator's approval of the ranking of firms and agreement with UnitedHealthcare Services, Inc. for requirements of group medical benefits.

Recommended Action:

Ratify, confirm, and enter into the minutes the ranking of firms and agreement with the number one ranked firm, United Healthcare Services, Inc. d/b/a UnitedHealthcare, for requirements of group medical benefits.

Contract No. 156-0174-P(JA) in the amount of \$228,463,547.00 for a term of sixty (60) months beginning January 1, 2017.

The agreement was approved and executed by the County Administrator due to time sensitivity to avoid a lapse in employee benefit coverage.

Strategic Plan:

Create a Quality Workforce in a Positive, Supportive Organization

1.3 Make workforce safety and wellness a priority

1.4 Maintain a fair and competitive compensation package

Summary:

This purpose of this competitive request for proposal (RFP) process was to hire a benefits provider for the group employee medical benefit program to replace the current agreement and insurance policies set to expire December 31, 2016.

Background Information:

The Purchasing Department on behalf of the Human Resources Department (HR) released a two-phase RFP on February 24, 2016. Five (5) submissions were received, and five (5) firms were determined pre-qualified to participate in Phase II of the RFP. An evaluation was held on June 8, 2016 with final recommendation for award to United Healthcare. Negotiations were facilitated by Towers Watson.

The firms in order of ranking are on the attached ranking spreadsheet.

HR was unable to complete the contracting process for approval by the Board prior to the expiration of the current agreement. In order to ensure uninterrupted benefits to employees across the Unified Personnel System (UPS), the Board delegated the item to the County Administrator for execution at its December 13, 2016 meeting, with ratification by the Board set to occur at the first meeting in January 2017.

The proposed program provides employees with the same choice of plans, both PPO and a high deductible plan with a health savings account. It assumes the current schedule of benefits with one exception. The emergency room copayment in the PPO plan has been increased from \$100 to \$250.

The current copayment, in effect for many years, is far lower than customary in the marketplace and the increase will discourage non-emergency services for which other sites of care are available at a lower cost. The network of medical providers is the same as the current contract.

Increased claims activity for the last 15 months, particularly high dollar claims (over \$50,000), have necessitated an increase of 8% in employee and employer contributions for FY17. To better mitigate future costs and as part of negotiations, County Human Resources staff and Towers Watson (benefits consultant) added two (2) new clinical programs, the Spine and Joint Solutions Center of Excellence Program and Custom Care Management Unit (CCMU). The programs are projected to produce annual savings of \$423,000.00 net of program fees.

This medical coverage is self-insured and total cost is inclusive of administrative fees and claims costs. The standard medical service fees on Exhibit B apply for the period from January 1, 2017 through December 31, 2019. The performance guarantees for health benefits is 26% of the medical administrative services which is guaranteed from January 1, 2017 through December 31, 2017.

This program includes the same stop-loss insurance policy protecting the County from catastrophic claims costs. The policy covers the full cost of any individual claim in excess of \$500,000.00, consistent with current coverage. The 2017 annual premium increased 8% for the employer and employees and is included in the pricing below.

The County also provides fully-insured Medicare Advantage coverage for post-age sixty-five (65) retirees. This insurance policy will also remain with UnitedHealthcare and contains one plan design change increasing retiree maximum annual out-of-pocket cost from \$1,500 to \$1,750. With this change the premium will not increase for 2017.

Fiscal Impact:

Sixty (60) month claims liability not to exceed:	\$169,022,690.00
Sixty (60) month Administrative fees not to exceed:	\$ 6,806,890.00
Sixty (60) month Stop loss premiums not to exceed:	\$ 5,755,460.00
Sixty (60) month Medicare premiums not to exceed:	\$ <u>46,878,507.00</u>
Total sixty (60) month expenditures not to exceed:	\$228,463,547.00

Stop-loss and Medicare Advantage premiums are subject to annual adjustment.

Funds are derived from the HR Employee Benefits Fund

Staff Member Responsible:

Holly Schoenherr, Director, Human Resources Department
Joe Lauro, Director, Purchasing Department

Partners:

N/A

Attachments:

Administrative Services Agreement - United HealthCare Services, Inc.
Stop-Loss Rider - United HealthCare Services, Inc.
Medicare Amendment - UnitedHealthcare Insurance Company

Ranking Spreadsheet