



AGENDA MEMORANDUM

Future Agenda Item for the City Council Meeting of June 9, 2015

Action Item for the City Council Meeting of June 16, 2015

DATE: June 9, 2015

TO: Ronald L. Olson, City Manager

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Third-Party Administrator, Stop Loss Insurance and Self-Insured Employee Health Benefits

CAPTION:

Resolution authorizing the City Manager or designee to negotiate and execute a contract with UnitedHealthcare, Houston, Texas, for the provision of third-party administration of the City of Corpus Christi's self-funded employee health and dental plans, for providing and administering a provider network, and for the provision of stop-loss insurance coverage in accordance with Request for Proposal Event Number 41; and authorizing the City Manager or his designee to negotiate and execute a contract with Express Scripts, Inc., Saint Louis, Missouri for the provision of the pharmacy benefit management portion of the City of Corpus Christi's self-funded employee health plan in accordance with Request for Proposal Event Number 41.

PURPOSE:

Approval to negotiate and execute a contract with the recommended third-party administrator, stop loss insurance and self-insured employee health benefits provider and a pharmacy benefit management provider.

BACKGROUND AND FINDINGS:

In January 2015, The City's Human Resources Department began the process of creating a Request for Proposal (RFP) for third-party administrator, stop loss insurance and self-insured employee health benefits. With the assistance of the City's benefit consultant, HUB International Insurance Services, and the Senior Buyer of the City's Purchasing Department, the RFP was advertised and issued on April 3, 2015. A team consisting of representatives from Human Resources, the ACM for General Government & Operations Support, Budget, the Police Officers Association, the Fire Fighters Association, and Procurement was formed to review and evaluate the proposals.

The team evaluated eight proposals based on the following criteria and weighting scale: Technical Solution, Proposer's Profile & Qualifications, Local Presence, Fees and Exceptions.

General Questionnaire (Technical Solution)	Minimum Qualifications & General Information (Proposer's Profile and Qualifications)	Local Presence	Fees	Exceptions	Total
20%	10%	5%	60%	5%	100%

The team held evaluation meetings on May 15th and May 21st and selected four finalists to make presentations on May 27th. Best and final offers were received on May 29th. Two approaches for award were considered, a bundled service for both medical and prescription drug services from the same provider and a stand-alone pharmacy benefit manager (unbundled service). During the review process, it was determined that the "unbundled service" option offers the greatest cost savings to the City. In the scoring process, consideration was given to the provider networks as well as the ability for vendors to administer the City's benefit plans that are currently offered to the general employee population and the Collective Bargaining Units. The team also reviewed the City employee's utilization patterns of network providers and long-term tools and strategies to help the City manage long-term costs. The term of the contracts will be for three years, commencing on October 1, 2015, with an option to extend for up to two additional one-year periods subject to the approval of the Contractor and the City Manager or designee. The total estimated cost for the initial year of the three-year contract with UnitedHealthcare and Express Scripts is \$23,365,032.24, the breakdown is as follows:

UnitedHealthcare	
Estimated administrative cost	\$2,677,013.52
Estimated medical claims cost	\$14,290,257.30
Subtotal	\$16,967,270.82
Express Scripts	
Estimated administrative cost	\$52,209.90
Estimated pharmacy claims cost	\$6,345,551.52
Subtotal	\$6,397,761.42
Total	\$23,365,032.24

This service will be used by the Human Resources Department to provide health care coverage, dental coverage, pharmacy coverage and stop-loss insurance to eligible active employees, retirees, survivors and their spouses, and dependents. The team recommends the awards to UnitedHealthcare and Express Scripts, Inc., and this decision is fully supported by the leadership of both the Fire and Police City labor groups. A service agreement will be executed contingent to City Manager and Contractor negotiating a final agreement.

ALTERNATIVES:

See summary matrix.

OTHER CONSIDERATIONS:

Not applicable.

CONFORMITY TO CITY POLICY:

This purchase conforms to the City's purchasing policies and procedures and State statutes regulating procurement and is in alignment with current collective bargaining agreements.

EMERGENCY / NON-EMERGENCY:

Non-emergency.

DEPARTMENTAL CLEARANCES:

Human Resources, Finance, Management & Budget, Legal

FINANCIAL IMPACT:

Operating

Revenue

Capital

Not applicable

Fiscal Year: 2014-2015	Project to Date Expenditures (CIP only)	Current Year	Future Years	TOTALS
Line Item Budget				
Encumbered / Expended Amount				
This item				
BALANCE				

Fund(s): N/A

Current Annual (FY15)	Proposed Annual (FY16)	Life of Contract
\$23,564,149	\$23,365,032	\$70,095,096.75

Comments: Funding is not required for FY2014-2015. The amount of the contract is budgeted in the current budget and will be contemplated in future budgets. Please note that the three-year total contract cost of \$70,095,096.75 is an estimated amount based on medical, dental and pharmacy utilization. Fluctuation in utilization may alter the total cost.

RECOMMENDATION:

Staff recommends authorization to negotiate contracts with United Health Care and Express Scripts.

LIST OF SUPPORTING DOCUMENTS:

Presentation Matrix
Resolution