

## A G E N D A



## Recommendation for Council Action (Purchasing)

Austin City Council	Item ID:	17472	Agenda Number	46.
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Meeting Date:	August 16, 2012
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Department:	Purchasing
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## Subject

Authorize award, negotiation and execution of a 12-month requirements services contract with UNITED HEALTHCARE INSURANCE COMPANY, or one of the other qualified offerors to RFP No. JSD0120, for self-funded medical program administration, stop-loss insurance coverage and pharmacy benefit management (PBM) services in an estimated amount not to exceed \$8,763,000 with five 12-month extension options in estimated amounts not to exceed \$9,993,000 for the first extension option, \$11,504,000 for the second extension option, \$13,380,000 for the third extension option, \$15,735,000 for the fourth extension option, and \$18,721,000 for the fifth extension option, for a total estimated contract amount not to exceed \$78,096,000.

## Amount and Source of Funding

Funding for this contract and extension options is contingent upon available funding in future budgets. This contract will be funded by City, employee and retiree contributions.

## Fiscal Note

There is no unanticipated fiscal impact. A fiscal note is not required.

Purchasing Language:	Best evaluated proposal.
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Prior Council Action:	
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For More Information:	Jeffery Dilbert, Corporate Purchasing Manager, 974-2021
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Boards and Commission Action:	
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Related Items:	
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MBE / WBE:	This contract will be awarded in compliance with Chapter 2-9C of the City Code (Minority-Owned and Women-Owned Business Enterprise Procurement Program). No subcontracting
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opportunities were identified: therefore, no goals were established for this solicitation.

#### Additional Backup Information

The City issued a solicitation on February 6, 2012 seeking proposals from firms to provide solutions for medical program administration of self-funded Preferred Provider Organization (PPO) and Health Maintenance Organization (HMO) plans, stop-loss insurance coverage and Pharmacy Benefit Management (PBM). These third party administrative services will be for City employees and retirees.

Under the City's current benefits program, City employees and retirees have access to a self-funded PPO and a self-funded HMO. The Stop-loss insurance provides coverage for catastrophic claims for any covered person during a calendar year that exceeds \$500,000. PBM services allow individuals to purchase prescription drugs from a national network of participating retail pharmacies or from the PBM's mail order service.

The City has sole responsibility for the plan design. Third party administrative services will include plan interpretation, medical claims adjudication, pre-notification of hospital admissions, utilization review and payment for approved medical services. Also included is administration of wellness initiatives and administration of Health Reimbursement Accounts. With this approval, all administrative services requested will be provided by UnitedHealthcare (UHC), Plano, TX. UHC has discounted agreements with physicians, medical facilities and other health providers to provide medical services and care to persons enrolled in the plans. UHC's local network has over 3,600 physicians and 27 area hospitals. The plan year for all services will be January 1 through December 31 of each year. The extension options, if exercised, will extend the contract term through December 31, 2018.

The recommendation is based on evaluation of proposals reviewed by Human Resources staff, a representative from the Controllers' Office, a Benefits Advisory Committee member who represents City retirees and cost savings analysis information received from Towers Watson, the City's actuarial and benefits consultant. UHC presented the best overall proposal, the lowest overall cost, and a comprehensive network of providers including physicians and hospitals.

This request allows for the development of an agreement with a qualified offeror that Council selects. If the City is unsuccessful in negotiating a satisfactory agreement with the selected offeror, negotiations will cease with that provider. Staff will return to Council so that Council may select another qualified offeror and authorize contract negotiations with this provider.

MBE/WBE solicited: 0/2

MBE/WBE Bid: 0/0

RFP NO. JSD0120  
PRICE ANALYSIS

- a. Adequate competition.
- b. Fifty-two notices were sent including two WBEs. Eight proposals were received.

#### APPROVAL JUSTIFICATION

- a. Best evaluated proposal.
- b. The Purchasing Office concurs with the Human Resources Department's recommended award.
- c. Advertised in the Austin American-Statesman and on the Internet.