

A U S T I N C I T Y C O U N C I L

AGENDA

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Thursday, August 10, 2006

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**Purchasing Office
RECOMMENDATION FOR COUNCIL ACTION**

ITEM No. 47

Subject: Authorize award, negotiation, and execution of two requirements service contracts with UNITEDHEALTHCARE OF TEXAS, Plano, TX, as follows: a 36-month service contract for a provider network, utilization review and claims administration for a self-funded Preferred Provider Organization medical plan and for Prescription Benefit Management services in an estimated amount not to exceed \$11,230,000, with three 12-month extension options in estimated amounts not to exceed \$4,917,000 for the first extension option, \$5,680,000 for the second extension option and \$7,545,000 for the third extension option, for a total estimated contract amount not to exceed \$29,372,000; and a 12-month service contract for Stop-Loss coverage for the self-funded Preferred Provider Organization medical plan in an estimated amount not to exceed \$490,000, with five 12-month extension options in estimated amounts not to exceed \$620,000 for the first extension option, \$784,000 for second extension option, \$992,000 for the third extension option, \$1,255,000 for the fourth extension option and \$1,588,000 for the fifth extension option, for a total estimated contract amount not to exceed \$5,729,000.

Amount and Source of Funding: Funding in the amount of \$3,175,000 is available in the Fiscal Year 2006-2007 Proposed Operating Budget of the Employee Benefits Fund of the Human Resources Department. Funding for the remaining 27 months of the original contract period for one contract and the remaining three months of the other contract, and extension options is contingent upon available funding in future budgets.

Fiscal Note: A fiscal note is not required. There is no unanticipated fiscal impact.

For More Information: Rosemary Ledesma, Supervising Sr. Buyer/974-2011 or Delia Hernandez, Benefits Manager/974-3409.

Purchasing Language: Best evaluated proposal of fourteen proposals received.

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 opportunities were identified; therefore, no goals were established for this solicitation.

Additional Backup Material
(click to open)
No Attachments Available

These contracts with UnitedHealthcare (UHC) will provide the following three services:

36-month contract, with three 12-month extension options o Provider Network, Utilization Review and Claims Administration for a Self-Funded Preferred Provider Organization (PPO) Medical Plan; o Prescription Benefit Management (PBM); and

12-month contract, with five 12-month extension options o Stop-Loss Coverage.

The City issued a solicitation on May 15, 2006 seeking proposals to provide medical benefit plan and benefits administration services for City employees, retirees and other eligible participants. The solicitation included the following seven medical/administration benefit services: A) Provider Network, Utilization Review and Claims Administration for a Self-Funded PPO Medical Plan; B) Stop-Loss Coverage; C) Prescription Benefit Management (PBM); D) COBRA and Self-Pay Administration; E) Eligibility Administration; F) Dental Claims Administration; and G) Flexible Benefits Administration. Proposals were received on June 19, 2006 and the City received nineteen

proposals, fourteen of which were in response to the three services to be awarded through this Request for Council Action. The administrative services will be awarded through a separate contract.

Under the City's current benefits program, employees and retirees are provided with a choice of medical plans: one fully insured HMO and one self-funded PPO. The HMO provides a closed network of physicians and facilities with no out-of-network option. The PPO provides a network of preferred providers and allows individuals to access out-of-network providers at a greater cost to the individual. PBM services allow individuals to purchase prescription drugs from a national network of participating retail pharmacies or from the PBM's mail order service at a reduced cost to the City and the individual.

With these actions approved, the network access and claims administration contract will continue with the current PPO administered by UHC. UHC has discounted agreements with physicians, medical facilities and other health providers to provide medical services and care to persons enrolled in the plan. UHC's local network has 1,339 physicians which includes Austin Diagnostic Clinic and the Austin Regional Clinic. Also, all area hospitals are included in the network. UHC currently has 133,000 members in the Central Texas area. The contract also provides claims administration services that will include plan interpretation, medical claims adjudication, pre-notification of hospital admissions, utilization review and payment for approved medical services. The term of the contract for PPO and PBM services is from January 1, 2007 through December 31, 2009 for the original period. The extension options, if exercised, will extend the term through December 31, 2012.

Stop-Loss insurance protects the City from catastrophic claims by providing coverage for individuals whose medical claims exceed \$500,000 throughout the contract term. The term of this contract is from January 1, 2007 through December 31, 2007 for the original period. The extension options, if exercised, will extend the term through December 31, 2012. It is standard industry practice to limit the initial term to 12 months on the Stop-Loss contract. None of the proposers agreed to a longer term for these type of services.

The proposals were evaluated by City of Austin Human Resources staff. The evaluation was based on: business organization, personnel qualification, prior experience; comprehension of the scope of work requirements and proposer's plan for achieving the scope requirements; and cost of proposal. The recommendation also considered the cost savings analysis information received from Towers Perrin, the City's actuarial and benefits consultant. The panel members recommend UHC as the best evaluated proposal for the PPO, PBM, and Stop-Loss insurance services. UHC presented the best PPO plan offering reasonable rates and the largest network of providers including physicians, all Austin area hospitals, and many other medical facilities. UHC offered the most value for PBM services in conjunction with and integral to medical claims administration.

The recommended awardee has performed well as the administrator of the plan for the City for the past two and one half years, and they received positive responses from references contacted who are very satisfied with service received from UHC.

The monthly fees to the City per employee are guaranteed for the Provider Network, Utilization Review and Claims Administration for a Self-Funded PPO Medical Plan and PBM services for the initial contract and extension option years: 2007 \$29.86, 2008 \$31.06, 2009 \$32.30, 2010 \$33.92, 2011 \$35.62, and 2012 \$37.39. The monthly rate to the City per employee of \$4.50 is guaranteed for the initial contract period for Stop-Loss Coverage with 15% rate increase caps for the extension periods.

MBE/WBE solicited: 3/4 MBE/WBE bid: 0/0

RFP No. RL06300059 PROPOSAL ANALYSIS a. Adequate competition. b. Sixty-one notices were sent including three MBEs and four WBEs. Twenty-six solicitations were issued including no MBEs and WBEs. Fourteen proposals were received, with no response from the MBEs/WBEs.

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