



**Purchasing Service Agreement
CITY OF AUSTIN
RECOMMENDATION FOR COUNCIL ACTION**

**AGENDA ITEM NO.: 25
AGENDA DATE: Thu 03/10/2005
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SUBJECT: Authorize negotiation and execution of a nine-month agreement with Blue Cross and Blue Shield of Texas, a division of Health Care Service Corporation, Chicago, IL, for a Health Maintenance Organization health plan for City employees and retirees in an amount not to exceed \$33,000,000.

AMOUNT & SOURCE OF FUNDING: Funding in the amount of \$22,000,000 is included in the Fiscal Year 2004-2005 Approved Operating Budget for the Employee Benefits Fund of the Human Resources Department. Funding for the remaining three months of the agreement period 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.

**REQUESTING Purchasing
DEPARTMENT:**

**DIRECTOR'S
AUTHORIZATION: Vickie Schubert**

FOR MORE INFORMATION CONTACT: Dee Hernandez, 974-3409; Urcha Dunbar-Crespo, 974-2690

PRIOR COUNCIL ACTION: N/A

BOARD AND COMMISSION ACTION: N/A

PURCHASING: N/A

MBE / WBE: N/A

The City issued a solicitation on April 21, 2003, seeking proposals from firms to provide a Health Maintenance Organization (HMO) group medical plan and other group medical plans for City employees, retirees, and other eligible participants. On September 9, 2003 the City Council approved a contract with Amil International, Inc. (Amil) for providing an HMO for a 12 month period and with two additional 12 month extension option periods. Amil began providing the HMO services on January 1, 2004, and recently their contract was extended to continue to provide services through December 31, 2005. Amil informed the City on Wednesday, March 2, 2005, that the medical coverage they contractually provide will end on March 31, 2005. Amil will continue to provide services and pay for all medical claims incurred or services rendered through March 31, 2005, after that, Amil will leave the Texas health insurance/HMO market.

Amil has entered into an assumption agreement with Blue Cross Blue Shield of Texas (BCBSTX) to continue providing services to its clients beginning April 1, 2005. BCBSTX has agreed to provide the City an HMO medical plan until December 31, 2005 at the same premium rates under the current contract. The HMO medical plan provides a closed network of physicians and facilities with no out of network option. BCBSTX has agreements with physicians, other health providers, and medical facilities to provide medical services and care to persons who have enrolled in the plan. BCBSTX will provide a very similar network match to the providers in the network currently offered by Amil and offers one of the largest networks in the Austin area. This RCA requests authorization to negotiate and execute a



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contract with BCBSTX to provide the City an HMO medical plan through December 31, 2005.

BCBSTX has more than 70 years of experience and serves more than three million Texans with medical coverage. This contract will ensure that there is little or no change in the coverage, premiums or health care providers that are offered under the current Amil plan. In addition, the City's Human Resources Department is prepared to make this transition as smooth as possible to prevent a lapse of services for City employees and retirees under the current contract period. City staff intends to issue a Request for Proposal (RFP) solicitation soon, seeking proposals from experienced and qualified firms that provide HMO medical plans for HMO services to be provided after 2005.