



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

**AGENDA ITEM NO.: 20  
AGENDA DATE: Thu 08/25/2005  
PAGE: 1 of 2**

**SUBJECT:** Authorize negotiation and execution of a 12-month service agreement with BLUECROSS AND BLUESHIELD OF TEXAS for Health Maintenance Organization medical coverage in an amount not to exceed \$52,987,000 with two 12-month extension options in an amount not to exceed \$60,935,000 for the first extension option and \$70,075,000 for the second extension option, for a total agreement amount not to exceed \$183,997,000.

**AMOUNT & SOURCE OF FUNDING:** Funding in the amount of \$39,740,250 is included in the Fiscal Year 2005-2006 Proposed Operating Budget of the Employee Benefits Fund of the Human Resources Department. Funding for the remaining three months of the original contract period and extension options is contingent upon available funding in future budgets.

**FISCAL NOTE:** There is no unanticipated fiscal impact. A fiscal note is not required.

**REQUESTING** Purchasing                      **DIRECTOR'S**  
**DEPARTMENT:**for Human Resources;      **AUTHORIZATION:** Vickie Schubert

**FOR MORE INFORMATION CONTACT:** Vikie DeLuyck, MSW, Buyer II/974-2003

**PRIOR COUNCIL ACTION:** N/A

**BOARD AND COMMISSION ACTION:** N/A

**PURCHASING:** Best proposal of three proposals received.

**MBE / WBE:** This contract will be awarded in compliance with Chapter 2-9 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.

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The service agreement with BlueCross and BlueShield of Texas (BCBSTX) will provide Health Maintenance Organization (HMO) medical services for City of Austin employees, retirees, and other eligible participants. The term of the contract will be from January 1, 2006 through December 31, 2006 for the original 12-month agreement term. If the extension options are exercised, the agreement will terminate December 31, 2008.

City Council approved an HMO service agreement with Amil International, Inc. (Amil) on September 2, 2004 for an initial 12-month term and two additional 12-month extension options. On March 31, 2005, Amil closed its HMO operations in Austin. BCBSTX assumed their HMO agreement, which Council approved on March 10, 2005 for the remaining nine-month term of the agreement.

An RFP was issued May 9, 2005 for replacement HMO coverage. Three proposals were received. An evaluation team consisting of professional and managerial staff from the Human Resources Department reviewed and scored the proposals. The panel members are familiar with the industry and recommended BCBSTX as offering the best HMO plan with the lowest rates, good benefit design and, extensive experience in providing HMO services in the Austin area.

The requested dollar amount is based on an estimated enrollment of 4,620 employees and 1,900 retirees.



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This allows for enrollment during new employee orientation and migration during open enrollment. Contract amounts for the second and third year extension options include a maximum 15% increase in premiums, respectively.

MBE/WBE solicited: 1/4

MBE/WBE Bid: 0/0

**PROPOSAL ANALYSIS  
(RFP #VD05300072)**

- a. Adequate competition.
- b. Sixty-seven notices were sent including one MBE and four WBEs. Ten solicitations were issued including no MBEs and no WBEs. Three proposals were received.
- c. The proposed 2006 rates have increased approximately 16% over the 2005 rates for comparable benefit design.

**APPROVAL JUSTIFICATION**

- a. Best proposal received.
- b. The Human Resources Department concurs with the recommended award.
- c. Advertised in the Austin American-Statesman and Internet.