

Information Item

Date: June 14, 2021

To: Mayor, Mayor Pro Tempore, and Members of the City Council

From: Ben Rowe, Assistant City Manager
Dr. Marquis H. Barnett, HR Director

Subject:
Information on Medical Services Request for Proposal (RFP) Results and Recommendation

Strategic Focus Area: Service Excellence

Strategic Objective: Maintain the City's Financial Strength

Strategic Plan Action Item: No

Key Work Item: No



The current contract with Blue Cross Blue Shield of North Carolina to administer the City's self-insured medical plan ends on December 31, 2021. Following an extensive bid and re-bid, Human Resources Staff with the assistance of the Chief Financial Officer reviewed five (5) bids for medical services. Proposals were received from Aetna, BCBSNC, Cigna, Med Cost, and United Healthcare. The panel conducted virtual interviews with Aetna, BCBSNC and Cigna. Parameters for the proposals included comparable plan designs to the current plans. This process was managed by the City's benefits broker Willis Towers Watson. The criteria used to score proposals and their respective weights are below:

- MWBE Commitment (20%)
- Business Location (20%)
- Cost Effectiveness (20%)
- Qualifications and Experience (20%)
- Reference List (10%)
- Proposal Quality (10%)

Scores for all proposal are below:

Provider	Score	Overall Ranking
Cigna	400	1
Aetna	325	2
United Healthcare	235	3
Blue Cross Blue Shield	200	4
Med Cost	142.5	5

Staff recommends acceptance of the proposal from Cigna. *Continued Below*

Cigna's network includes an estimated 98.6% of the providers employees currently see. This is known as "market disruption". Market disruption has a Margin of Error of +/- 2%, meaning that Cigna's network of providers is reliable for the City's employee base. Employees may visit the Cigna website to determine whether their current providers are in network. If awarded the contract, Cigna will open a consideration period where employees can provide the names of out of network providers and Cigna's team will contact those providers requesting to add them to the network. Consistent with the current plan makeup, employees will still be able to see out- of-network providers but will likely be balance billed for any amount charged, but not covered by the plan

The City's projected plan year 2022 cost for medical claims and administrative fees totals \$30.2M with \$7.1M (23%) being pharmacy cost. The pharmacy rebate structure is projected to decrease pharmacy spend by 47% based on an estimated \$17.8M average wholesale price ingredient cost. This would be an estimated savings of \$8M annually. In addition, the Cigna medical proposal included the following:

- Administrative Fee with prescription coverage - \$35.36 per employee per month (PEPM)
- \$75,000 Administrative Fee Credit (First Year Only)
- \$45,000 Implementation Fund (First Year Only)
- \$80,000 annually to be used for Wellness, Communication, Technology, & Audits
- \$160,000 annually to support MWBE initiatives

Cigna's proposal includes a three-year rate guarantee that is projected to save the City up to 17% off the most recent expenses. The rate guarantee includes savings guarantees supported by pharmacy rebates, contracted rates for services and funds at risk to compensate for any potential failure to meet performance metrics.

The rate guarantee provided equals a total of \$25,453,978, which represents a 17% savings – or more than \$4.3 Million in savings from the most recent total healthcare costs. The additional implementation funds which are being provided will assist in efforts to educate employees on the change through multi-level marketing including email, intranet and direct mailing. HR staff will also conduct a series of virtual and in-person meetings as appropriate to help employees navigate the transition.

An action item will be presented to the Council in August.