

**Hidalgo County**  
**Consultant Analysis**  
**RFP #2016-235-07-27-YZV**

**Third Party Administration**  
**Stop-Loss Insurance**  
**Term Life Insurance**



**Gary R. Looney, REBC**  
3201 Cherry Ridge Drive  
Suite D 405  
San Antonio, Texas 78230  
Phone: (210) 930-6665 Fax: (210) 930-1838

---

## **Memorandum**

Date : September 19, 2016  
TO : Hidalgo County Commissioner's Court  
From : Gary Looney REBC  
RE : Group Medical and Life Insurance Plans 2017; RFP#2016-235-07-27-YZV

---

### **Scoring and Selection**

#### **Third Party Administrator Stop Loss Carrier Prescription Benefit Manager**

A Request for Proposals was issued for TPA Services, Stop Loss Insurance, Prescription Benefit Management and Group Term Life insurance due on July 27, 2016. There were over 25 stop loss proposals received. There were five (5) proposals received that included Third Party Claims Administration services integrated with Stop Loss Insurance and Prescription Benefit Management Services.

The RFP uses a point system to score the RFPs submitted. There are six (6) elements scored:

1. Administration (Including cost of Individual Stop Loss Insurance
2. Network Providers
3. Pharmacy
4. Technology
5. Wellness
6. Additional Services

The composite score of each element is compiled from the comparative analysis of each vendor's response to the RFP.

1. Administration
  - a. Primary cost of Administration Fees
  - b. Multiple year guaranteed administration fees
  - c. Funding deposits, set up fees, initial enrollment cost
  - d. Fees at risk for network discount performance guarantees
  - e. Fees at risk for network participation guarantees
  - f. Fees at risk for claim administration performance
  - g. Individual Stop Loss (ISL) annual cost
  - h. Liability for high cost employee with increased individual deductible
  - i. Reduced claims cost savings due to shared network utilization
  - j. Fiduciary Liability
  - k. Claim Audits



2. Network Providers
  - a. Hospital access local, regional, national, international
  - b. Primary Care physician access
  - c. Specialty Care physician access
  - d. Urgent care and walk-in clinic access
  - e. Centers of excellence access
  - f. Transplant centers of excellence
  - g. Patient advocacy programs
3. Pharmacy
  - a. Pharmacy network
  - b. Cost of administration
  - c. Formulary comparison
  - d. Discounts through retail purchase, mail order, specialty meds.
  - e. Rebate contract
  - f. Transparent and Traditional offers
  - g. Local non chain participation with 90-day supply
  - h. Integrated with claim system
  - i. Reporting capability
4. Technology
  - a. Website access, comprehensive and user friendly
  - b. Telephone access APPS for iPhone and Android
  - c. Employee portal
  - d. Employer portal
  - e. Access to reports
  - f. Access to claim history
  - g. Access to eligibility
  - h. Annual reports required by County
5. Wellness
  - a. Active or Passive wellness tools
  - b. Cost of programs available funding
  - c. Biometric Screenings integrated/nonintegrated
  - d. Disease management (Cardiac, Pregnancy, Diabetic)
  - e. Pro Active Preventive Care
6. Additional Services
  - a. Enrollment services
  - b. Policy Booklets, SBCs, SPD.s
  - c. Local office, designated service representative, on site
  - d. Dedicated billing administration service representative
  - e. Ability to service account
  - f. Financial strength
  - g. Reference check
  - h. AM Best ranking
  - i. Industry Experience with Public Entities
  - j. Annual reporting required by Affordable Care Act
  - k. Bilingual capacity

The scoring grid is a summary of the points earned or lost by each RFP responder compared to each other and the requirements stipulated in the RFP.

The Scoring Grid indicates the following total points. Scoring Grid attached.

BC/BS	4253
Aetna	4660
UHC	4380
Continental	3010

While the scoring grid is a measurement tool identifying the fixed cost of the administration it is also necessary to credit or debit the discount base and claims cost. The County medical plan gross billed medical claims on an annual basis are approximately \$85,000,000. A 1% variation in the discount basis for the claims administration is \$850,000. For this reason the evaluation of the proposals based on guaranteed discount performance and the percentage of administration fees put at risk for meeting these limits is very important. The scoring grid takes into consideration these cost components.

There are two other concerns that have been voiced by the Commissioners and by the Budget office. One concern is the ability to conduct a contingency audit of the claims administrator to determine if the discounts being reported are accurate and that claims are being paid in accordance with the contracts in place with hospitals, doctors, and other tertiary providers. The current Blue Cross contract does not allow a contingency audit. However, they do allow audits that are fee paid by the County. Blue Cross has offered a \$30,000 credit to be used at the County's discretion including reimbursement for audit fees. The United Health Care does not allow contingency audits however; their proposal includes a credit of \$50,000 for the County to use to hire an independent auditor with certain stipulations on the audit company selected. The Continental contract allows audits The Aetna proposal will allow contingency audits

There is concern by the Budget office about the method of claim payments and the financial obligations of the County to fund the payment of the claims cost as the expenses are incurred.

Currently check registers are posted by Blue Cross once a week, every two weeks the amount of the request is approved by the Court, and the payments are released to Blue Cross. There are no requirements to maintain an accessible bank account for Blue Cross to draw against for payments. Blue Cross makes a full claim payment for the payment of claims in excess of the Individual Stop Loss (ISL) insurance coverage, which is the County's deductible for large claim losses. Currently the excess claims are credited against the County's fixed administration fee within two to three weeks of the checks being issued. Proposers have offered alternative methods of funding.

United Health Care prefers to have an account that is funded in advance by the County. The County would be required to maintain a balance in the account. Initial deposit is \$660,000. As checks are written and paid the account is reduced and expected to be replenished to a standard operating level for reimbursement. Checks that are cashed are paid by the account with the ISL reimbursement only charged up to the ISL limit.

Aetna has requested a claim payment reimbursement once a month with no advance funding. ISL claims in excess of the stop loss level will not be included in the monthly payment request.

Continental requirements are similar to UHC, however, ISL reimbursements are made by a third party stop loss carrier.

The Scoring Grid and the evaluation of the proposals does not provide a positive or negative score for the agent or agents selected by the insurance company. The RFP does set a limit of \$80,000 to be paid to an agent of the Commissioner's Court selection. The Court may elect to include an agent or exclude an agent. If an agent is selected, he or she must also have been selected by the Insurance Company to represent their offer.

The cost spreadsheet is attached that indicates the best and final offers provided.

The result of this process indicates that the Aetna Insurance Company has provided the lowest cost alternative for Hidalgo County.

### **Group Term Life Scoring and Selection**

The Group Term Life insurance policy was also included in the RFP process. There have been significant losses for the life insurance carrier over the past three years. The best and final rate proposal spreadsheet is attached. The Dearborn National company has offered the best option for the group term life.

### **Plan Design Changes**

Attached is a sample of plan benefit changes that will generate a cost savings for the County. The plan changes are shown independently and may be selected individually. The plan changes shift more responsibility to an employee and his or her family for claims payments. For example, moving office visit co-pay from \$40 to \$45 increases the obligation for an office visit by \$5. There were over 30,000 office visits during the last 12 months.

The Prescription benefits must be changed next year to include a very strident management of Specialty Medications. The change will impact 40 -50 employees or dependents. Regardless of the administrator the management of the Specialty Medications is required for Plan year 2017.

Other benefit changes are shown on the attached spreadsheet analysis. Not all changes are recommended. The highlighted changes are recommended.

## Medical Plan Employee Premium Rates

**The County will continue to provide the basic medical plan to all full time active employees at no cost to the employee.**

The Lewis and Ellis actuarial evaluation recommends an increase in the funding for the 2017 plan year.

The actuarial evaluation also revealed that the premium differential between the Basic Plan and the Buy Up Option was not sufficient to support the plan benefit options. The Buy Up option was essentially priced too low in relationship to the benefits offered. As a result, the Buy Up Option will receive a premium percentage increase greater than the basic plan for the plan year 2017. The suggested rate changes are attached. It is expected that employees currently on the Buy Up plan may move to the Basic Plan.

## Carrier Change

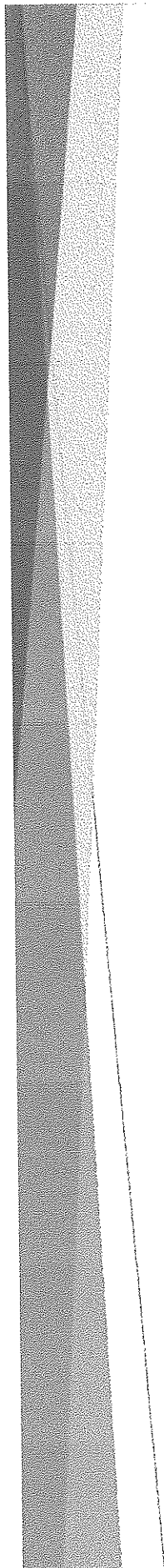
A carrier change is always disruptive. There are routines that have been established over the last few years with Blue Cross that have become simply that, a routine. There will be personal physicians that are not currently in the network. Aetna will attempt to identify those physicians and ask them to participate. An employee will be able to request a physician to be added to the network. There will be a disruption in the prescription drug plan. The Aetna will be blamed for the discrepancy however; the pharmacy changes were to be mandated regardless of the administrator selected. There come with a lot of questions from employees. A transition team will be active during the transition period to resolve the employee issues. It is our hope that the transition period will be short and smooth.

Thank you for your confidence in our efforts to provide the best and most affordable medical benefit plan for the Hidalgo County Employees.



Gary Looney REBC  
SR VP Alamo Insurance Group

# SCORING GRID



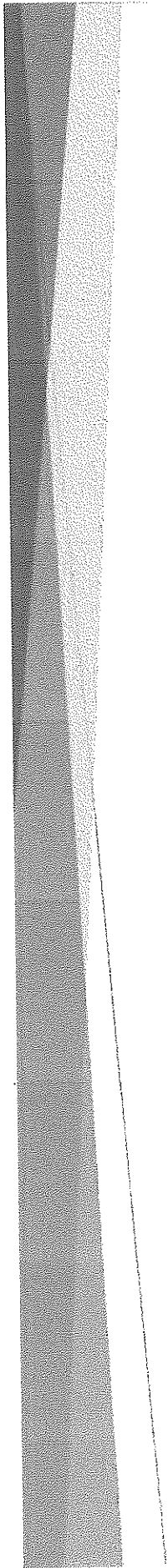
## Exhibit "B"

### Evaluation Criteria Third Party Administration, Individual Stop Loss for Self-Funded Medical Plan

#### Scoring Grid for Hidalgo County Medical Plan

	Max Points	Blue Cross	Aetna	United Healthcare	Continental
Section 1 Administration (Includes cost of ISL)	3175	2518	2985	2625	1635
Section 2 Network Providers	100	100	90	90	90
Section 3 Pharmacy	900	850	850	850	680
Section 4 Technology	90	90	90	90	90
Section 5 Wellness	300	275	240	300	150
Section 6 Additional Services	435	420	405	425	365
	5000	4253	4660	4380	3010

# COST SPREADSHEET



Hidalgo County

Self-Funded Welfare Plan Stop-Loss Proposal Comparison

	Current	Renewal	Option 2	Option 3	Option 4	Option 5	Option 6
	2017	2017	2017	2017	2017	2017	2017
<b>Insurance Carrier - Third Party Administrator</b>	Blue Cross	Blue Cross	Blue Cross	Blue Cross	Aetna	Continental	UHC
<b>Reinsurance Carrier</b>	Blue Cross	Blue Cross	Partners Re	Voya	Aetna	Sirius	UHC
Setup Fee *	\$ -	\$ -				\$ 3,500.00	
Renewal Fee	\$ -	\$ -					
Run-In/Run-Out: Administration Fee (TLO)	\$ 154,000.00	\$ 154,000.00	\$ 154,000.00	\$ 154,000.00	\$ 154,000.00	\$ 154,000.00	\$ 154,000.00
Estimated run out claim liability Actuarial IBNR Reserve Estimate	\$ 1,400,000.00	\$ 1,400,000.00	\$ 1,400,000.00	\$ 1,400,000.00	\$ 1,400,000.00	\$ 1,400,000.00	\$ 1,400,000.00
Specific Lifetime Maximum	Unlimited	Unlimited	Unlimited	Unlimited	Unlimited	Unlimited	Unlimited
<i>* Note: These rates are not included in totals below.</i>							
<b>STOP-LOSS BASIS</b>							
Number of Employees	3783	3783	3783	3783	3783	3783	3783
Number of Spouse Only							
Number of Child(ren) only							
Number of Family Units							
Number of Dependent Units							
Specific Deductible	\$ 250,000	\$ 250,000	\$ 250,000	\$ 250,000	\$ 250,000	\$ 250,000	\$ 250,000
Specific Contract	24/12	Pal/12	15/12	15/12	12/12	12/12	12/12
Specific Contract Includes	Med/Rx	Med/Rx	Med/Rx	Med/Rx	Med/Rx	Med/Rx	Med/Rx
<b>MONTHLY FIXED COSTS</b>							
<b>Specific Premium</b>							
Employee	\$ 47.58	\$ 66.14	\$ 42.15	\$ 47.58	\$ 28.41	\$ 22.03	\$ 44.97
Employee and Spouse							
Employee and Child(ren)							
Dependent Unit							
Family							
<b>ADMINISTRATION (all fees are per unit, per month)</b>							
Claims Cost Per Employee	\$ 38.58	\$ 37.07	\$ 37.07	\$ 37.07	\$ 33.97	\$ 16.50	\$ 36.56
Claims Cost Per Dependent							
Utilization Review per EE						\$ 4.72	
Employee's benefit advisor for Dr and Lab Service selection (BC-BVA)	\$ 2.50	\$ 2.50	\$ 2.50	\$ 2.50			
Claim Appeals Service Fee						\$ 1.50	
PPO Network Per EE	\$ -					\$ 14.25	
Rx Program Fees (Describe)	\$ 1.99	\$ 1.99	\$ 1.99	\$ 1.99			
Rx Rebate guarantee	\$ (15.34)	\$ (18.62)	\$ (18.62)	\$ (18.62)	\$ (17.81)	Last Quarter Only	\$ (19.37)
Fiduciary Liability Fee		\$ 1.00	\$ 1.00	\$ 1.00	included	included	included
<b>TRANSPLANT BENEFIT</b>							
Employee/Month	included	included	included	included	included	included	included
Dependent Unit/Month							
<b>WELLNESS PLAN Cost Per EE/Month</b>							
Wellness Plan Cost Per EE/Month							
Wellness Plan Cost (Credit or Debit)		Credit \$30,000	Credit \$30,000	Credit \$30,000	Credit \$115,000		credit \$50,000
<b>DISEASE MANAGEMENT *</b>							
<b>Banking System Notes</b>							
Initial Deposit/Account Requirements							\$ 666,000.00
Claim Reimbursement Requirements							Weekly
<b>BROKER FEE</b>							
Fee	\$ 80,000.00	\$ 80,000.00	\$ 80,000.00	\$ 80,000.00	\$ 80,000.00	\$ -	\$ 80,000.00
<b>TOTAL ANNUAL COSTS</b>							
Specific Stop Loss Premium	\$ 2,159,941.68	\$ 3,002,491.44	\$ 1,913,441.40	\$ 2,159,941.68	\$ 1,289,700.36	\$ 1,000,073.88	\$ 2,041,458.12
Administration (Broker Fee not included in Total)	\$ 1,258,831.08	\$ 1,086,780.24	\$ 1,086,780.24	\$ 1,086,780.24	\$ 733,599.36	\$ 1,678,290.12	\$ 780,357.24
<b>TOTAL ANNUAL</b>	<b>\$ 3,418,772.76</b>	<b>\$ 4,089,271.68</b>	<b>\$ 3,000,221.64</b>	<b>\$ 3,246,721.92</b>	<b>\$ 2,023,299.72</b>	<b>\$ 2,678,364.00</b>	<b>\$ 2,821,815.36</b>
<b>TOTAL ANNUAL INCLUDING AGENT COMMISSIONS</b>		<b>\$ 4,169,271.68</b>	<b>\$ 3,080,221.64</b>	<b>\$ 3,326,721.92</b>	<b>\$ 2,103,299.72</b>	<b>\$ 2,678,364.00</b>	<b>\$ 2,901,815.36</b>
Blue Cross Run Off Claims Expense					\$ 154,000.00	\$ 154,000.00	\$ 154,000.00
<b>Net Cost including Blue Cross Run off expense</b>		<b>\$4,169,271.68</b>	<b>\$3,080,221.64</b>	<b>\$3,326,721.92</b>	<b>\$2,177,299.72</b>	<b>\$2,832,364.00</b>	<b>\$2,975,815.36</b>

# GROUP TERM LIFE

**Hidalgo County**  
**Group Term Life Insurance**

	Current		Renewal		Minnesota Life/Securian	United Healthcare
	Dearborn National	Dearborn National	Dearborn National	CIGNA		
Premium Rate for Basic Life \$25,000	\$ 0.11	\$ 0.13	\$ 0.22	\$ 0.14	\$ 0.17	
Premium Rate for AD&D \$25,000	\$ 0.02	\$ 0.02	not included	\$ 0.02	\$ 0.02	
Volume	\$ 95,175,000.00	\$ 95,175,000.00	\$ 95,175,000.00	\$ 95,175,000.00	\$ 95,175,000.00	\$ 95,175,000.00
Total Annual Premium	\$ 142,762.50	\$ 165,604.50	\$ 251,262.00	\$ 182,736.00	\$ 216,999.00	

# PLAN DESIGN CHANGES

# HIDALGO COUNTY

## Plan Design Changes

Basic Plan	Current	Plan Change Options	Percent of Claim Cost Savings	Estimated Cost Savings
Annual Deductible	\$ 1,250	\$ 1,500	0.0100	\$ 169,763
Maximum Out of Pocket	\$ 7,500	\$ 7,500	0.0000	\$ -
Co-Insurance Percentage	70%	70%	0.0000	\$ -
Office Visit Co-Pay Primary Care Physician	\$ 35.00	\$ 40.00	0.0080	\$ 135,811
Office Visit Co-Pay Speciality Care	\$ 45.00	\$ 55.00	0.0030	\$ 50,929
Urgent Care Facility	\$ 35.00	\$ 40.00	0.0005	\$ 8,488
Emergency Room Co-Pay	\$ 50.00	\$ 350.00	0.0030	\$ 50,929
Hospital Per Admission Deductible	\$ 350.00	\$ 350.00	0.0000	\$ -
Rx Co-Pays	\$10/\$20/\$35	\$5/\$30/\$70	0.0030	\$ 50,929
Step Therapy	Yes	Yes	0.0000	\$ -
Specialty Rx		Mandatory	0.0060	\$ 101,858
Pre Authorization	Yes	Yes		\$ -
				\$ 568,707

Employee Contribution	\$ -	\$ -		
Dependent Contribution Increase				\$ -

High Plan	Current	Plan Change Options	Percent of Claim Cost Savings	Estimated Cost Savings
Annual Deductible	\$ 750	\$ 1,000	0.0080	\$ 107,596
Maximum Out of Pocket	\$ 5,000	\$ 6,000	0.0030	\$ 40,348
Co-Insurance Percentage	80%	80%	0.0000	\$ -
Office Visit Co-Pay Primary Care Physician	\$ 30.00	\$ 35.00	0.0015	\$ 20,174.22
Office Visit Co-Pay Speciality Care	\$ 40.00	\$ 50.00	0.0020	\$ 26,899
Urgent Care Facility	\$ 30.00	\$ 35.00	0.0005	\$ 6,725
Emergency Room Co-Pay	\$ 50.00	\$ 250.00	0.0020	\$ 26,899
Hospital Per Admission Deductible	\$ 350.00	\$ 350.00	0.0000	\$ -
Rx Co-Pays	\$10/\$20/\$35	\$5/\$30/\$70	0.0030	\$ 40,348
Step Therapy	Yes	Yes		\$ -
Specialty Rx		Mandatory	0.0060	\$ 80,697
Pre Authorization	Yes	Yes		\$ -
				\$ 349,686

Employee Contribution Increase	\$ -	\$ -		
Dependent Contribution Increase				
Total Savings with EE contribution Increases				?

PCP (Primary Care Physician) General Practice, Family Practice, OB-GYN, Pediatrician, Internal Medicine

Filename: Hidalgo County Change Claim Analysis

September 16, 2016

# MEDICAL RATE CHANGES

# HIDALGO COUNTY

Department Of Budget & Management

2017 Budget Process

Proposed Health Insurance Premiums

As of September 6, 2016

BASIC	Current Monthly Premium	Proposed Monthly Premium	Employee Portion	Employee Portion Increase	Increase Per Pay Period
Employee Only	\$514.00	\$525.00	\$0.00	\$0.00	\$0.00
Employee + Spouse	\$756.00	\$909.00	\$384.00	\$142.00	\$71.00
Employee + Child(tren)	\$620.00	\$633.00	\$108.00	\$2.00	\$1.00
Employee + Family	\$862.00	\$1,018.00	\$493.00	\$145.00	\$72.50

BUY-UP	Current Monthly Premium	Proposed Monthly Premium	Employee Portion	Employee Portion Increase	Increase Per Pay Period
Employee Only	\$582.00	\$686.00	\$161.00	\$93.00	\$46.50
Employee + Spouse	\$894.00	\$1,232.00	\$707.00	\$327.00	\$163.50
Employee + Child(tren)	\$722.00	\$852.00	\$327.00	\$119.00	\$59.50
Employee + Family	\$1,078.00	\$1,449.00	\$924.00	\$360.00	\$180.00

RETIREE 65+	Current Monthly Premium	Proposed Monthly Premium	Employee Portion	Employee Portion Increase	Increase Per Pay Period
Employee Only	\$260.00	\$265.00	\$265.00	\$5.00	n/a
Employee + Spouse	\$502.00	\$650.00	\$650.00	\$148.00	n/a
Employee + Child(tren)	\$368.00	\$376.00	\$376.00	\$8.00	n/a
Employee + Family	\$608.00	\$758.00	\$758.00	\$150.00	n/a