



February 26, 2020

Susan Posada  
Susan Posada Agency  
3575 N. 3<sup>rd</sup> Street  
Phoenix AZ 85012

**RE: SLS001 City of San Luis Employee Benefit Trust 2021 PPO Network Renewal Proposal**

Dear Susan,

We have completed our evaluation of the City of San Luis Employee Benefit Trust PPO Network access fee renewal, effective July 1, 2021.

- The new PPO Network access fee will be \$19.50 per employee per month (PEPM) for medical enrollees, this is a 12-month contract.
- The 24-month contract is attached are the increases are as follow:
  - 7/1/2021 – 6/30/2022 \$19.25 PEPM (+\$1.75 PEPM)
  - 7/1/2022 – 6/30/2023 \$21.00 PEPM (+\$1.75 PEPM)

It is important to note that if City of San Luis Employee Benefit Trust was to request a new bid from BCBSAZ the CHS new group rate is starting at \$22.00 PEPM.

To assist you with your renewal discussions, attached are the following supporting documents specific to City of San Luis:

- Historical Claims Savings for the 1/1/2020 – 12/31/2020 time period
- Monthly Savings Report
- Rate Acceptance form with underwriting caveats (**Group Signature Required**)
  - 12-month contract
  - 24-month contract

**Network Claims Savings**

We recognize that a network access fee increase is financially challenging. As such, it is important that BCBSAZ continues to offer strong value with regard to our provider discounts. As you can see on the attached claims savings report, our claim re-pricing analysis for the recent 12 months demonstrates:

- The overall discount for the City of San Luis is 62.4%. For comparison, the in-network average discount for our Blue group book of business is 45.0% for Yuma County.

- Due to the 62.4% discount realized, it resulted in savings of over \$3,595,360 when comparing billed vs. allowed charges. This means that if a competitor has even a 1% less favorable discount than BCBSAZ (i.e., 61.4%), it would cost the group an additional \$57,592 per year. If a competitor has a 5% less favorable discount than BCBSAZ (i.e., 57.4%) it would cost the group an additional \$287,959 per year.
- Considering the current access fee of \$17.50, City of San Luis saved \$1,373.89 per contract per month, this means if a competitor has even 1% less favorable discount than BCBSAZ the competitor would need to charge an access fee of -\$4.79 per contract per month (please refer to the Monthly Savings page for further explanation). In other words, there is no access fee that competitor could charge in order to make up the difference in costs resulting from a 1% discount difference, since the competitor could not charge the group a negative access fee.

### Network Utilization

- In network utilization was – 92.9% for facility-billed charges and 78.1% of professional billed charges with an overall total of 83.5% network usage.

### New Specialty Products

This year, we've expanded our portfolio by adding a number of **specialty products** designed to give City of San Luis Employee Benefit Trust a single, trusted brand for all of their insurance needs. Now you can offer the City of San Luis Employee Benefit Trust:

- Dental
- Life
- Disability
- Accident
- Critical Care

***Please let me know if you are interested in having us quote on any of these new products.***



## Summary

BCBSAZ appreciates the partnership with the City of San Luis Employee Benefit Trust. We are very committed to providing their participating employees and families with a best in class network solution and are looking forward to continuing our relationship for many years to come.

I look forward to discussing the renewal and answering any questions you may have.

Sincerely,

*Christy Hall*

Strategic Relationship Executive  
Middle Market  
BlueCross and BlueShield of Arizona

Cc: Jeff Horney, BCBSAZ

Attachments: 2021 Renewal Exhibits

# City of San Luis Employee Benefit Trust Claims Savings Report

For Claims Processed 1/1/2020 - 12/31/2020

*Reflects only the allowed amount as priced by BCBSAZ and does not account for denials,  
claims edits, etc. applied by the TPA*

<u>Claim Type</u>	<u>Claim Count</u>	<u>Billed</u>	<u>Allowed</u>	<u>\$ Savings</u>	<u>% Savings</u>
Inpatient	15	\$1,313,861	\$379,184	\$934,677	71.1%
Outpatient	<u>439</u>	<u>1,022,406</u>	<u>689,621</u>	<u>332,784</u>	<u>32.6%</u>
Facility Subtotal	454	\$2,336,267	\$1,068,805	\$1,267,462	54.3%
Professional	8,122	\$3,422,918	\$1,095,020	\$2,327,898	68.0%
<b>Medical Total</b>	<b>8,576</b>	<b>\$5,759,185</b>	<b>\$2,163,825</b>	<b>\$3,595,360</b>	<b>62.4%</b>

**Every 1% in Medical Savings is Worth: \$57,592 (= 1% of Billed)**

*This means that if a competitor has even a 1% less favorable discount than BCBSAZ (i.e., 61.4%), it will cost the group an additional \$57,592 per year.*

*If a competitor has, for example, a 5% less favorable discount than BCBSAZ (i.e., 57.4%), it will cost the group an additional \$287,959 per year.*

Notes:

- 1) Data excludes claims that appear to be duplicates (may not be the same exclusions as determined by the TPA).
- 2) Data includes claims for contracted providers only.
- 3) The Billed amount reflects the total charges billed by the provider and as such may include non-covered charges (which are determined by the TPA).
- 4) The Allowed amount is the BCBSAZ contractual priced amount prior to any benefits being applied by the TPA.

# City of San Luis Employee Benefit Trust

## Medical Monthly Savings

### For Claims Processed 1/1/2020 - 12/31/2020

*Reflects only the allowed amount as priced by BCBSAZ and does not account for denials, claims edits, etc. applied by the TPA*

# Contracts (Employees):	221
# Contract Months for 1/1/2020 - 12/31/2020:	2,584 (a)
Total Savings for 1/1/2020 - 12/31/2020:	\$3,595,360 (b)
Every 1% in Savings is Worth Total:	\$57,592 (c = 1% of Billed)

Savings Per Contract Per Month (PCPM)*:	\$1,391.39 (b / a)
Every 1% in Savings is Worth PCPM**:	\$22.29 (c / a)

\*Considering the current access fee of \$17.50, the group is still saving \$1,373.89 PCPM (which is the \$1,391.39 Savings PCPM shown above minus \$17.50.)

\*\*This means that if a competitor has a 1% less favorable discount than BCBSAZ, the competitor would need to charge an access fee of -\$4.79 PCPM (which is the current BCBSAZ access fee of \$17.50 minus \$22.29) in order for it to be cost neutral for the group. In other words, there is no access fee that the competitor could charge in order to make up the difference in costs resulting from a 1% discount difference (since the competitor couldn't charge the group a negative access fee).



An Independent Licensee of the Blue Cross Blue Shield Association

CHS Renewal Rate Acceptance\* (Network Access Only)

\* must be signed by a designated authorized representative prior to renewal effective date

Exhibit 2

Name of Trust: City of San Luis Employee Benefit Trust
BCBSAZ Group Number: SLS001
Effective Date: 7/1/2021 to 6/30/2022
Number of In-State Employees: 228 (Out-of-state not eligible)
Renewal Notice Days: 120

I. Network Requested: Medical PPO Plans & Mayo Network

II. Access Fees

Medical Access Fee a) : \$19.25 PEPM (per employee per month)

III. Commission: Rates are net of commission

IV. Caveats

- a) For any month in which the number of employees with access to the Blue Cross Blue Shield of Arizona (BCBSAZ) network is fewer than 100, the Medical Access Fee will be a flat monthly fee and not a per employee per month fee. The flat fee will be \$1,925 per month.
b) BCBSAZ will not act as a Stop Loss carrier under this agreement.
c) BCBSAZ will be the sole leased medical network provider in Arizona.
d) Under this network leasing arrangement, BCBSAZ contracts only with the Trust. Under no circumstance will this agreement be between BCBSAZ and any Third-Party Administrator (TPA) or any other referring entity.
e) The Trust is responsible for the TPA's performance as claims administrator. BCBSAZ reserves the right to decline the Trust's choice of TPA if the proposed TPA is not a TPA that currently administers claims for other BCBSAZ Employers.
f) The Trust shall be liable for and shall either pay or cause its contracted TPA to pay BCBSAZ contracted provider medical claims no less frequently than weekly.
g) BCBSAZ's dental provider rates and fees do not apply to any Trust that has not leased BCBSAZ's dental network, regardless of whether the dental rate and fees are visible to the Trust via the TPA Portal.
h) The coinsurance benefit differential between the Trust's Medical PPO in-network and out-of-network must be 10% or greater.
i) The stated access fees do not include any Affordable Care Act ("ACA") fees. Payment of any applicable ACA fees is the responsibility of the Employer.
j) If the Trust transitions to a new Claims Administrator during the term of the Agreement, the Trust shall pay BCBSAZ a Claims Administrator Fee in an amount equal to \$5.00 per employee based upon the number of employees in the month prior to the Claims Administrator change. The Claims Administrator Fee is due the first of the month in which the change to the new Claims Administrator is effective.
k) Notwithstanding any provision of A.R.S. section 12-341.01, in any action to enforce the terms of this Agreement, the successful party, defined as the net winner considering all claims and counterclaims actually adjudicated, shall be entitled to an award of its reasonable attorneys' fees and costs. The award of reasonable attorney fees shall be made to mitigate the burden of the expense of litigation to establish a just claim or a just defense. It need not equal or relate to the attorney fees actually paid or contracted, but the award may not exceed the amount paid or agreed to be paid. In a judicial action, any award of fees shall be made by the court and not by a jury.

BlueCross BlueShield of Arizona, Inc., an Arizona Non-Profit Corporation

Employer Trust City of San Luis Employee Benefit Trust

By: (signature)

By: (signature)

Michael Tilton (printed)

(printed)

Title: General Manager-Commercial Segment

Title:

Date:

Date:



**CHS Renewal Rate Acceptance\***  
**(Network Access Only)**

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**BlueCross BlueShield of Arizona, Inc.,  
an Arizona Non-Profit Corporation**

**Employer Trust  
City of San Luis Employee Benefit Trust**

By: \_\_\_\_\_  
(signature)  
  
**Michael Tilton**  
\_\_\_\_\_  
(printed)

By: \_\_\_\_\_  
(signature)  
  
\_\_\_\_\_  
(printed)

Title: **General Manager-Commercial Segment**

Title: \_\_\_\_\_

Date: \_\_\_\_\_

Date: \_\_\_\_\_