

Financial Services  
Judith M. Marte, Chief Financial Officer

**SUBJECT: RECOMMENDATION FOR AWARD FOR REQUEST FOR PROPOSALS (RFP) #040-PP10, DISTRICT HEALTHCARE BENEFIT PROGRAM**

**COMMITTEE: INNOVATION, EFFICIENCY & GOVERNMENTAL RELATIONS**

**LINK TO STRATEGIC FRAMEWORK: FINANCIAL EFFICIENCY/STABILITY**

At the Board meeting of June 18, 2014, the Board authorized the Superintendent of Schools to issue Request for Proposals (RFP) #040-PP10, District Healthcare Benefit Program as well as approving the composition of the Superintendent's Ad-Hoc Committee, pursuant to the provisions of School Board Policy 6332 – Professional Service Contracts for Insurance or Risk Management Programs – Policy.

At the regularly scheduled bid opening of July 17, 2014, responses from the following companies were received:

- United Healthcare (Medical/Pharmacy/Wellness/Stop Loss/\*Medicare)
- Humana (Wellness/Pharmacy/Medicare)
- Av-Med (Medical)
- Cigna (Medical/Pharmacy/Wellness/Stop Loss/Medicare)
- Well Dyne Rx (Pharmacy)
- CVS Caremark (Pharmacy)
- MedImpact (Pharmacy)
- Express Scripts (Pharmacy)
- Envision Rx (Pharmacy)
- Web MD Health Services (Wellness)
- Health Fitness (Wellness)
- Health Ways (Wellness)

Additionally, declinations to bid were received from SeeChange Health Solutions and Blue Cross and Blue Shield of Florida.

\*Medicare proposal was referenced through Independent Benefits Council (IBC) solicitation

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Meetings of the Superintendent's Ad-Hoc Insurance Committee (committee) were held on August 11<sup>th</sup>, August 13<sup>th</sup> and August 20<sup>th</sup> and 22<sup>nd</sup>. All committee meeting dates were advertised through Citizens Information and all District labor organizations were provided dates of scheduled meetings in advance.

The committee reviewed all received proposals and comprehensive analyses of received proposals assembled by staff from the Office of Risk and Benefits Management and the District's Employee Benefits Consulting Firm of Aon Hewitt (Aon Hewitt). This item will outline each program for which the District sought and received proposals and will identify those companies which the committee felt best met the District's needs based upon the criteria contained in RFP# 040-PP10 as well as School Board Policy 6332, Professional Service Contracts for Insurance or Risk Management Programs – Policy.

#### Medical Administrative Services Only (ASO)

Proposals were received for Medical ASO services from Av-Med, Cigna and UnitedHealthcare. The committee at its meeting on August 11, 2014 voted unanimously to allow Cigna and UnitedHealthcare to make finalist presentations on Wednesday, August 20, 2014. Av-Med was not included as a result of significant disruption for District employees based upon the size of their provider networks; lack of national network availability for employees, retirees and covered dependents who seek services outside of the tri-county area, and pricing. Additionally, Av-Med did not provide any Stop Loss pricing; which would have required the District to seek stand alone coverage in the event Av-Med was selected for its ASO provider.

During the finalist's presentations which were held on August 20, 2014, the committee members heard overviews of the companies' proposals and then asked representatives from each company several questions regarding their proposal. The committee then voted to direct Aon Hewitt to seek best and final terms and pricing from both companies to be considered at the next meeting of the committee. The committee then met on its final day on August 22, 2014 and discussed at length the strengths of both proposals.

As result of that meeting and the received terms and pricing received by Aon Hewitt, a unanimous decision was made to select Cigna as the Medical ASO provider effective January 1, 2015 for a term not to exceed five-years as stipulated in the RFP. Pursuant to the received proposal, Cigna provided a credit to its ASO pricing in the event that the Stop Loss coverage was also provided by Cigna. Because the Stop Loss coverage was provided by each Medical ASO proposer to be in conjunction with the ASO contract, that credit of \$0.50 per employee/per month (PEPM) must be calculated as part of the anticipated annual cost. The specifics of the pricing and terms provided through this solicitation as are as follows:

Cigna Per-Employee/Per-Month (PEPM) monthly rate	\$ 25.34
Cigna Credit for Stop Loss coverage	<u>\$ (0.50)</u>
Cigna Net ASO fee	\$ 24.84

As compared to UnitedHealthcare, the annual savings based upon an average of 34,000 covered lives is \$1,097,520. This pricing is confirmed for an initial three-year term, effective January 1, 2015.

Pharmacy

As outlined in the Medical Administrative Services Only (ASO) section above, the committee voted to hear from both Cigna and United Healthcare as finalists for that section of the RFP. Additionally, the committee voted to have oral presentations from these two companies which provided imbedded pharmacy program as part of their Medical ASO proposals, as well as two companies which provided Carved Out (or stand alone) Pharmacy proposals, including CVS Caremark and Express Scripts.

The companies were provided the opportunity to provide an overview of their pharmacy proposals and then the members of the committee asked each provider specific questions regarding their proposals. The committee then voted to direct Aon Hewitt to seek best and final terms and pricing from all four companies to be considered at the next meeting of the committee. The committee then met on its final day on August 22, 2014 and discussed at length the strengths of the proposals. As result of that meeting, and the received terms and pricing received by Aon Hewitt, a unanimous decision was made to select Cigna Pharmacy (Catamaran Rx) as the pharmacy provider effective January 1, 2015 for a term not to exceed five-years. The specifics of the pricing and terms provided through this solicitation as are as follows:

Annual expected Pharmacy expenditures pursuant to best and final pricing with Cigna is \$46.3M for 2015 as compared to CVS Caremark for \$43.9M and Express Scripts at \$45.12M. However, Cigna provided an additional credit on its ASO fee proposal if the pharmacy program was selected to be with Cigna of \$2.52 PEPM, resulting in a net ASO fee for Cigna of \$22.32 PEPM or a \$1.3M savings from the anticipated ASO fee structure. That additional credit resulted in a delta between Cigna and CVS Caremark's annual pharmacy pricing to be within \$1.5M of one another. All pharmacy pricing is based upon an initial three-year proposal, effective January 1, 2015.

After careful consideration, the committee felt there was value in an imbedded pharmacy program to be offered by Cigna in conjunction with its medical ASO contract, as opposed to a Carved-out Pharmacy Program. This rationale was based upon a continuity of care concern and discussion for covered individuals, with a focus towards employees and dependents with chronic conditions who are under medical case management.

The committee also recommended that staff and the District's Employee Benefit Consulting Firm of Aon Hewitt go back to Cigna to seek any further pricing reductions possible in addition to ascertaining the cost, if any, of augmenting the current mandatory mail order program to allow for 90-day delivery of maintenance pharmaceuticals at retail pharmacies at mail away co-payment levels. Staff will continue to work with Aon Hewitt to negotiate any further concessions from Cigna on the pharmacy aspect, with any changes to be brought back to the Board at a subsequent Board meeting.

### Stop Loss

As previously mentioned in this item, the medical ASO providers linked their ASO contract to their Stop Loss offerings, meaning that if Cigna was selected as the ASO, then Cigna would provide Stop Loss coverage and if UnitedHealthcare were selected, then UnitedHealthcare Stop Loss coverage would be selected.

Based upon information provided in this item, the committee voted unanimously to select Cigna as the Medical ASO Provider. As a result, the committee voted unanimously to recommend purchase of Stop Loss coverage through Cigna based upon the existing Stop Loss attachment point of \$880,000 at a per-employee/per month premium cost of \$7.80, for an estimated annual premium of \$3,215,440.80. As has been the case in prior years, staff and Aon Hewitt will also review alternative pricing for other Stop Loss attachment points, to determine if more strategic pricing is available, without adversely affecting projected claims costs. Any recommended change in attachment points and pricing of Stop Loss coverage will be brought back to the Board at a subsequent Board meeting. All Stop Loss pricing is provided for an initial one-year confirmed term, effective January 1, 2015.

### Wellness

The committee was provided information on wellness activities and services as outlined in the proposals received from both of its Medical ASO finalists, Cigna and UnitedHealthcare as well as stand-alone Wellness vendors. The committee felt strongly that while the District is in the midst of creating a strategic and comprehensive Wellness Program, simply outsourcing the Wellness services and activities to a third party provider at a high cost would not be in the District's best interest.

As previously mentioned in this item, the committee voted to recommend Cigna as the District's Medical ASO provider effective January 1, 2015. Part of that selection was based on Wellness initiatives imbedded in the Cigna proposal, inclusive of an annual \$750,000 Wellness budget to be provided by Cigna. The committee felt that rather than augmenting the services offered by stand alone Wellness providers at this time, that it was in the District's best interest to maximize all Wellness services offered through the Medical ASO contract.

## Medicare

The committee was briefed that in addition to the Medicare proposals received through the issuance of RFP#040-PP10, the District also participated in an RFP which was issued by the Independent Benefits Council (IBC) for a statewide approach to Medicare programs for Medicare eligible retirees and their Medicare-eligible dependents.

As result of that IBC solicitation which included coverage options for Medicare-eligible retirees from Orange County Public Schools, Brevard County Public Schools, Duval County Public Schools, Polk County Public Schools, Escambia County Public Schools and Miami-Dade County Public Schools, proposals were received from Cigna for its Medicare Advantage Program (Leon Medical) as well as its Medicare Cigna Surround Program which is a Medicare Supplement Program. Proposals were also received from UnitedHealthcare for a Medicare Advantage Program as well as its AARP Medicare Supplement Program.

Essentially, the proposals received in response to the RFP# 040-PP10 are the same proposals received as a result of the IBC proposal, except for the fact that Humana provided a Medicare Advantage Program proposal as a result of the District's RFP; although they did not provide a proposal through the IBC solicitation. The committee felt strongly that due to the significant disruption of the current program provided by Humana as a result of the termination mid-year of a significant hospital provider, that their proposal for 2015 should not be considered further.

The committee is recommending that for purposes of providing Medicare eligible retirees and their Medicare eligible dependents healthcare coverage, that the District take advantage of the proposals received as a result of the IBC solicitation, effective January 1, 2015 consisting of the Cigna Medicare Advantage Program (Leon Medical) and UnitedHealthcare's Medicare Advantage Program, as well as two Medicare Supplement of Benefit Programs offered by Cigna and United Healthcare (AARP). In order to effectuate this recommendation, staff is seeking authority to enter into both the participation agreement and the inter-local agreement with the IBC to provide these coverages effective January 1, 2015.

**RECOMMENDED:** That The School Board of Miami-Dade County, Florida:

1. award its Medical ASO contract, for a term not to exceed five years, effective January 1, 2015, to Cigna, pursuant to the terms of their best and final negotiations and proposal received in response to RFP# 040-PP10, at a per-employee, per month fee, inclusive of associated credits for having Cigna also providing Stop Loss and Pharmacy benefits for an initial three-year term effective January 1, 2015 through December 31, 2017 of \$22.32 per employee/per month with an estimated annual expenditure based upon 34,000 employees of \$9,106,560;
2. award its Pharmacy contract for a term not to exceed five years, effective January 1, 2015 to be provided by Cigna (Catamaran Rx), pursuant to the terms of their best and final negotiations and proposal received in response to RFP# 040-PP10, with projected pharmacy expenses for calendar year 2015 to be \$46.3M, with a reduction in the Cigna ASO fee to be calculated in the Medical ASO contract of \$2.52 per employee, per month;
3. award its Stop Loss insurance contract to Cigna based upon the existing per claims attachment point of \$880,000 for an initial one- year term, effective January 1, 2015 through December 31, 2017 at a rate of \$7.80 per employee/per month, with staff to continue to evaluate the per claim attachment level to determine if there is an opportunity to recommend a higher per claim attachment point with a premium reduction which will be brought back to the Board at a subsequent Board meeting; and
4. authorize staff to execute both a participation agreement and an inter-local agreement to participate in the Medicare Program offerings received in response to the Request For Proposal (RFP)# 039-PSC-0414 – Group Medicare Medical and Pharmacy Plan, which was issued by the Independent Benefits Council (IBC), through Polk County Public Schools' Procurement Department on behalf of Miami-Dade County Public Schools, Orange County Public Schools, Brevard County Public Schools, Duval County Public Schools, Polk County Public Schools and Escambia County Public Schools, consisting of Medicare Advantage Programs and Medicare Coordination programs offered by Cigna and United Healthcare, for District Medicare-eligible retirees and their Medicare-eligible dependents, with benefits effective January 1, 2015, with benefit levels and premium rates for these programs to be confirmed and brought back to the Board at a subsequent Board meeting.

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