Board of Supervisors Memorandum

January 16, 2018

Medical Insurance for County Employees - Fiscal Year 2018-19

Background

Over the years, Pima County has been systematically and strategically making efforts to help neutralize the rising cost of health care. In July of 2013, we had made such significant improvements that it became feasible to move from a fully-insured to a self-insured platform, which has proven to have been a very prudent decision. The most recent change was transitioning all of our insured employees to a High Deductible Health Plan (HDHP), most with a Health Savings Account (HSA). This was particularly effective because it caused a paradigm shift to focus on being smart healthcare consumers. Many of our members now treat medical services and prescriptions as other items they purchase with planning, research and cost comparisons.

Service Categories of Self-Insured Medical Program

Through a competitive Request for Proposal (RFP) process, the County awarded contracts in the following categories for Plan Year 2017-2018:

1) Third Party Administrator (TPA) to pay claims; provide a comprehensive provider network; provide wellness and disease management programs; and technology resources to assist our population with cost data and options for care prior to treatment or consumption of healthcare resources.

2) Pharmacy Benefit Manager (PBM) to administer pharmacy claims and provide employees with technology and resources to select the most cost effective and efficacious prescription drugs to optimize the employee and County costs.

3) Employee Assistance Program (EAP) to provide counseling sessions for both personal and work place matters as well as provide prompt on-site critical incident support when necessary. These services are available to all eligible employees and their family unit regardless of whether they are enrolled in the medical plan.

4) Reinsurance or Excess Loss Insurance (Stop Loss) that financially protects the County from the excess cost of catastrophic claimants on an individual basis. Additionally, we sought aggregate protection which provides the County a level of financial protection in case our entire group claims run at a level that is beyond forecast or projections.

5) COBRA Administrative Services to administer continuation of healthcare services after eligibility ends.

6) Flexible Spending Account (FSA) to administer eligible healthcare, dependent care and parking reimbursement services.

All of those contacts expire June 30, 2018. Human Resources with the assistance of its consultant CBIZ Benefits & Insurance Services, Inc. along with Procurement, Finance as well as the Health Insurance Benefits and Wellness Advisory Committee (HIBWAC) recently completed the Request For Proposal (RFP) for above mentioned items: #1 TPA, # 2 PBM and #3 EAP services. RFPs will be issued for #4 Stop Loss coverage, for #5 COBRA and #6 FSA administration in early 2018.

Evaluation of Proposals

The evaluation and selection committee of the TPA, PBM and EAP was comprised of the following four voting members:

Allyn Bulzomi – Director of Human Resources
Dr. Francisco Garcia – Assistant County Administrator
John Voorhees – Assistant County Administrator
Ellen Moulton – Deputy Director of Finance

The committee was assisted by staff that possessed specialized expertise in the areas of Benefits, Wellness, Risk and Disease Management. The committee evaluated proposals received for TPA, PBM and EAP and determined which companies would move on to the finalist phase of the process to participate in the oral interviews and the best and final offer process. The following were the finalists:

TPA – Aetna and UnitedHeathcare (UMR)
PBM – CVS Health (Employers Health) and Envision
EAP – Aetna and UnitedHeathcare (UMR)

In early September, HIBWAC participated in oral presentations and interviews of all finalists. Based on the scoring of the oral interviews, analysis of proposals, best and final offers, and a thorough actuarial review of projected claims over the next five years, the recommendation for award of the contracts as follows:

TPA – Aetna
PBM – CVS Health (Employers Health)
EAP – Aetna

Consistent with the current structure, TPA and EAP will continue to be bundled to ensure continuity of care when patients need to transition out of the EAP section of the plan into the medical plan's behavioral health component. However, the recommendation is to split out PBM from TPA to achieve additional costs savings.

Pharmacy Benefits Management

The committee evaluated several proposals from various pharmacy benefit manager (PBM) vendors. These included bundled quotes from vendors who also bid TPA services, as well as stand-alone PBM vendors.

The only vendors who provided adequate proposals to move on to the finalist phase were the two stand-alone (unbundled) vendors; CVS Health and Envision. The unbundled approach suggests superior flexibility, transparency in contracting, pharmacy specific performance guarantees and, future pricing protections for the County. Historically, carving out pharmacy was generally something reserved for larger plan sponsors. However, recent trends suggest smaller employers (down to a few hundred employees) have found financial and benefit offering successes through carving out the PBM component. This is something Pima County reviewed three years ago as well, but at that time felt it was too soon in the evolution of our self-insurance transition to implement at that time.

Through finalist meeting evaluations and further consideration, it was determined that CVS Health is the best option to recommend. CVS Health, through the Employers Health Coalition, will provide the greatest value to our employees, their families, the County, and the tax payers in our community.

CVS Health's proposal offers significant financial value, while minimizing disruption to our employees and their families. The projected savings for the first year under the CVS Health program is estimated to be $2.3 million over our current PBM contract. The three year savings is estimated at $9 million over the current PBM contract. The CVS network is national and does not limit our membership to CVS retail pharmacies. Employers Health serves approximately 147 self-funded plan sponsors in 33 States, representing 650,000 lives and roughly $1 billion in annual drug spend. Their leverage allows Pima County to garner financial and non-financial guarantees otherwise not available to us. This was exemplified in the proposals we received. Additionally, the coalition provides for an annual market check of their contract which ensures the program remains market competitive. This is extremely important with respect to pharmacy/PBM where we have significant market fluctuation. The coalition also audits their PBM program annually at the participating group level to ensure that all guarantees were met in accordance with the contracted terms. These future financial protections (market check and audit) are invaluable. These protections and oversight are also provided as part of the proposed offering at no additional charge to the County. Though we would be in a purchasing coalition amongst other employers, we are still afforded the flexibility to build and maintain our benefit plan to the County's specifications.

During our RFP process, it was announced that CVS Health would be buying Aetna. Strong consideration and deliberation was placed on this new information. We still believe moving forward with CVS Health as our PBM is logical and prudent. The County is also protected by favorable termination conditions within the coalition contract should the combined organization fail to perform during the term of our agreement with them.

Due to the complexities involved (integrating with the TPA and ADP), claim and fee payment processing arrangements, etc., the implementation of a standalone PBM will take a significant amount of time so the benefits and finance teams will begin working on the timeline as well as the employee education component as soon as the award is granted.

Improving Health through Healthy Lifestyle Premium Discounts (HLPDs)

Pima County is committed to continuing to improve the health of our members by incentivizing employees who engage in healthy lifestyle choices and actions. We offer up to a $35.00 discount per pay period for those employee who meet the following requirements:

HLPD #1 Being tobacco-free ($20.00)
HLPD #2 Completing an online Health Assessment ($5.00)
HLPD #3 Completing a preventive health exam/screening ($5.00)
HLPD #4 Earning a minimum of 100 Healthy Lifestyle Active Point by participating in Employee Wellness programs ($5.00)

Currently 85 percent of our employees are enjoying one or more of the available discounts and Employee Wellness continues to receive positive feedback from participants. Many have already completed all of the activities required in order to receive their HLPDs July 1, 2018.

Individual Costs

Table 1 below shows the current rates for employees and the County as well as the proposed rates for 2018/19 with plan designs remaining the same as what is currently offered. I am pleased to be able to recommend an overall rate reduction of 5.68 percent, which will result in the County saving approximately $1.7 million. See Table 1 for proposed medical rates and the associated impact to individual employees.

Table 1 Medical Rates

		Current Rates FY2017/18		Proposed Rates FY2018/19			
Level of Coverage	Number of Employees Enrolled	Employee Portion	County Portion	Employee Portion	County Portion	Employee portion reduction	Employee portion w/$35 HLPD
Employee Only	2266	$35.00	$141.62	$35.00	$131.59	$0.00	$0.00
Employee + Spouse	810	48.92	355.22	46.13	335.05	-2.79	11.13
Employee + Child(ren)	731	47.86	345.09	45.13	325.49	-2.73	10.13
Employee + Family	1251	66.03	509.18	62.27	480.26	-3.76	27.27

Health Savings Accounts (HSA)

For active employees enrolled in the HDHP with HSA, Pima County makes HSA contributions to the individual accounts in the amount of $1,000 for those employees enrolled in employee only coverage and $2,000 for those employees that also cover one or more dependents. This amount equates to 50 percent of the plan year deductible.

Our employees' HSA balances continue to grow each year. As of October, 2017, collectively our employees have $18 million in our HSAs. These funds may be used for future out-of-pocket healthcare costs. The average HSA cash balance is $3,000, which exceeds the annual deductible for single coverage. The HDHP with HSA continues to be a significant cost savings benefit for our employees with favorable feedback. I recommend keeping the funding level the same as we have for the past several years.

Dental Plans

The County offers two dental plans. There is a slight increase in Employers Dental Service premiums as detailed in Table #2. Pima County Dental premiums will remain the same; however, upon analysis of the current plan benefits and areas of improvement, the following proposed benefit enhancements are included for July 1, 2018:

1. Preventive care to be covered at 100 percent when utilizing an in-network service provider. (Preventive care when utilizing an out-of-network service provider will remain covered at 80 percent.)

2. Services relating to implants will now be covered expenses at the 50 percent level.

Table 2 Dental Rates

			Current Rates FY2017/18		Proposed Rates FY2018/19	
Plan	Level of Coverage	Number of Employees Enrolled	Employee Portion	County Portion	Employee Portion	County Portion
Pima County Dental	Employee Only	1024	$10.23	$10.23	$10.23	$10.23
	Employee + Spouse	456	25.20	10.23	25.20	10.23
	Employee + Child(ren)	336	23.11	10.23	23.11	10.23
	Employee + Family	659	38.01	10.23	38.01	10.23
Employers Dental Service	Employee Only	1165	1.88	1.89	1.95	1.95
	Employee + Spouse	446	6.10	1.89	6.33	1.95
	Employee + Child(ren)	318	9.20	1.89	9.53	1.95
	Employee + Family	608	10.10	1.89	10.46	1.95

Recommendation

It is my recommendation that the Board of Supervisors approve:

1. Contracts in the following categories:
   TPA – Aetna
   PBM – CVS/Caremark
   EAP – Aetna
2. Continued County HSA funding.
3. Continued current Healthy Lifestyle Premium Discounts structure.
4. Changes to medical, pharmacy and dental as described above, which includes a 5.68 percent reduction in premium costs.

Sincerely,

C.H. Huckelberry
County Administrator

CHH/mp– December 28, 2017

c: Tom Burke, Deputy County Administrator for Administration
Allyn Bulzomi, Human Resources Director