



CITY OF LONG BEACH

R-16

DEPARTMENT OF HUMAN RESOURCES

333 West Ocean Boulevard 13th Floor • Long Beach, CA 90802 • (562) 570.6621

ALEJANDRINA BASQUEZ
DIRECTOR

August 23, 2016

HONORABLE MAYOR AND CITY COUNCIL
City of Long Beach
California

RECOMMENDATION:

Adopt Specifications No. RFP HR16-109 and award contracts to Anthem Blue Cross for the Preferred Provider Organization (PPO), Health Maintenance Organization (HMO) and Medicare Supplement group health plans; UnitedHealthcare for the Medicare Advantage Plan; Scan Health Plan for the Medicare Advantage Plan; and Vision Service Plan (VSP) for the City's vision plan. (Citywide)

DISCUSSION

City Council action is requested to award contracts to Anthem Blue Cross, Scan, UnitedHealthcare, and Vision Service Plan for health and vision benefit plans for active employees and retirees.

The Human Resources Department administers a comprehensive Employee Benefits Program (Program) for active and retired City employees and their qualified dependents with input and recommendations from the City's Health Insurance Advisory Committee (HIAC). HIAC is composed of City employees representing each bargaining unit and representatives from the Human Resources Department. HIAC was created and codified in our labor agreements for the purpose of reviewing the status and solvency of the Program and making recommendations to the City Manager on proposed plan changes, benefit levels, and addition or deletion of plan benefits.

The Program covers approximately 4,000 active employees, 2,000 retirees, and 7,400 dependents. The health plan benefit represents the largest expense of the Program. The health plan costs are estimated at \$76 million for the 2017 plan year.

The Human Resources Department and HIAC have been cognizant of the City's fiscal pressures and the degree to which escalating health care costs are a factor in the City's fiscal outlook. In an effort to address health care costs, the City issued a medical and vision plan Request for Proposals (RFP) to solicit competitive bids. In addition, the Human Resources Department, in cooperation with HIAC, implemented a Dependent Eligibility Verification Project aimed at ensuring the Program covers eligible participants and reducing unnecessary benefit expenditures by removing ineligible dependents. The Dependent Eligible Verification Project is in its final phase. This report will address the results of the RFP efforts.

Request for Proposal

On February 25, 2016, the City issued an RFP for its health and vision plans for active employees and retirees. The last time the City issued an RFP for benefit plans was in 2011. The RFP sought qualified proposals to provide more efficient and cost-effective health and vision alternatives with at least the same level (or greater) benefit, service and choice than that of the current carrier(s).

The RFP was advertised in the Long Beach Press-Telegram on February 28, 2016, and 4,204 potential proposers specializing in health and vision plans were notified of the opportunity. Of those proposers, 33 downloaded the RFP via the City's electronic bid system. The RFP was made available from the Purchasing Division, located on the seventh floor of City Hall, and the Division's website at www.longbeach.gov/purchasing. An RFP announcement was also included in the Purchasing Division's weekly update of Open Bid Opportunities, which is sent to 22 local, minority, and women-owned business groups. Nine proposals were received on March 31, 2016. Of those nine proposers, none were Minority-owned Business Enterprises (MBEs), Women-owned Business Enterprises (WBEs), certified Small Business Enterprises (SBEs), or Long Beach businesses (Local).

Local Business Outreach

In an effort to align with the City's outreach goal, Long Beach businesses are encouraged to submit proposals for City contracts. The Purchasing Division also assists businesses with registering on the Bids Online database to download the RFP specifications. Through outreach, 481 Long Beach vendors were notified to submit proposals, of which one downloaded the RFP and none submitted a proposal. The Purchasing Division is committed to continuing to perform outreach to local vendors to expand the bidder pool.

RFP Evaluation Process

As part of the evaluation process, the City used Alliant Employee Benefits Consulting (Alliant). Alliant helped analyze the proposals to ensure that the City receives the most cost-effective benefit plans while maintaining value for our employees and retirees. Alliant is a recognized leader in the public agency arena, with over 160 individuals dedicated to public agency employee benefit plans.

The proposals were evaluated based on the following criteria:

1. Financial cost and value;
2. Provider disruption and employee access;
3. Quality and member services; and,
4. Administrative support and account management.

A more detailed description of the evaluation criteria is provided in Attachment A. This information was provided in the RFP.

HIAC reviewed the proposers' results and the analysis conducted by Alliant. Based on an analysis of the proposals, including cost, disruption and adherence to the provisions of the RFP, four proposers were invited for an in-person presentation and interview for the health plans and two proposers were invited for an in-person presentation and interview for the vision plan. A summary of the major points for each proposal is listed in a matrix (Attachment B).

As a result of this review, the analysis and the interviews conducted, HIAC submitted the following recommendations to fulfill the contracts for Plan Year 2017 (January 1, 2017 to December 31, 2017) for both active employees and retirees:

1. Anthem Blue Cross for the Preferred Provider Organization (PPO), Health Maintenance Organization (HMO) and Medicare Supplement group health plans;
2. UnitedHealthcare for the Medicare (PPO) Advantage Plan;
3. Scan Health Plan for the Medicare Advantage Plan; and,
4. Vision Service Plan (VSP) for the vision plan.

The proposers above were chosen based on meeting the RFP criteria and demonstrating capability, flexibility, and a strong commitment to partner with the City of Long Beach to meet the City's needs. In addition, the proposers were determined to provide the best overall value for the City. As a result of the RFP, the overall cost of the plans will decrease for Plan Year 2017.

This matter was reviewed by Principal Deputy City Attorney Gary Anderson on July 12, 2016 and by Assistant Finance Director Lea Eriksen on August 11, 2016.

TIMING CONSIDERATIONS

Annual open enrollment for the 2017 health plan year will be conducted in mid-October and requires development of employee communication materials and implementation activities to occur in August and September. Therefore, City Council action is requested on August 23, 2016, so the Human Resources Department will have adequate time to prepare information for distribution to employees during September and October and transition to new vendors by January 1, 2017.

FISCAL IMPACT

Due to going out to the market for health care plans for this RFP process, and the recommended plan design and provider changes described in the companion City Council letter, it is anticipated that the City's cost of the health benefit plans will decrease in 2017 and not increase with industry trend. There is sufficient appropriation for the City's cost of the health benefit plans in the Proposed Fiscal Year 2017 budget in the Employee Benefits Fund (IS 391) in the Citywide Activities Department (XC). The award of these contracts will provide continued health coverage for approximately 4,000 active City employees. There is no local job impact associated with this recommendation.

HONORABLE MAYOR AND CITY COUNCIL
August 23, 2016
Page 4

SUGGESTED ACTION:

Approve recommendation.

Respectfully submitted,



ALEJANDRINA BASQUEZ, DIRECTOR
DEPARTMENT OF HUMAN RESOURCES

AB:CA:MH:mn
R:\Administration\CITY COUNCIL LETTERS\2016\08-23-16 ccl - Selection of Medical RFP Proposers - CM and Budget 08-11-16 .docx
ATTACHMENTS



JOHN GROSS
DIRECTOR OF FINANCIAL MANAGEMENT

APPROVED:



PATRICK H. WEST
CITY MANAGER

Medical and Vision Plan RFP Evaluation Criteria

- 1. Financial Cost and Value - Reasonableness of costs to services and best overall value to City based on the following:**
 - Premium rates and rate adequacy over the term of the contract
 - Rate assumptions used
 - Underwriting terms and conditions
 - Retention levels
 - Funding arrangement options
 - Multi-year rate guarantee or cost increase caps on outlying years
 - Performance Guarantees
 - Resource commitments to innovative ideas, programs, tools and/or coverage that would improve quality and cost for health care program
 - Firm's financial position will be used as an indicator of the ability to provide the requested services over the full term of the contract
 - The organization's size in the market for these services
 - Strong financial ratings from rating agencies

- 2. Provider Disruption and Employee Access - Ability to duplicate the current network and maximize employee access based on the following:**
 - The provider disruption factor will be based upon evaluating the proposer's responses regarding their provider groups and facilities networks in relation to those that City employees have utilized under the existing programs
 - HMO - Percent of employee and members experiencing disruption with Primary Care Physician (PCP) or Provider Medical Group (PMG)
 - HMO - Facility disruption based upon claim cost and number of network facilities
 - PPO - Claimant disruption with providers based upon claimant count and claim volume
 - PPO - facility disruption with providers based upon claim cost and number of network facilities
 - Geo Access - Network access will be based upon network service area coverage. Specify areas with geo access of less than 70 percent

- 3. Quality and Member Service – Demonstrated ability to deliver high quality services and Wellness Programs to public agencies of similar size and/or scope based on the following:**
 - Ability to replicate RFP scope of services
 - Ability to implement the City's benefit eligibility definitions for employees and dependents
 - High quality of customer service for employees and dependents
 - Member service - customer service staffing, hours of operation, language assistance
 - Claims operations, appeals process, transition assistance
 - Self-service tools (provider/facility selection, education services, claim processing)
 - Wellness Programs and Wellness resource commitment
 - Disease Management Programs and other programs aimed at improving member health outcomes
 - Proposed wellness program is feasible based on City structure
 - Firm's experience of providing high quality services to similar-sized clients

4. **Administration Support and Account Management and Service Team – Ability to provide excellent administration support and proactive and highly responsive account management services based on the following:**
- The level of applicable administrative support services will be considered (claims processing, member services, billing and eligibility, contracts, enrollment, and firm's business operation etc.)
 - Administrative services - open enrollment support, billing, and eligibility issues
 - Support services to City concerning utilization, data reporting, responding to employee complaints or services issues
 - The Account Management and Service Team evaluation will be based on the quality and quantity of staff assigned to the City account necessary to deliver the services outlined in the scope of services

City of Long Beach Employee Benefits Program

Overview of Medical and Vision Requests for Proposals Responses PY 2017

RFP Vendor	Coverage Quoted	Summary Overview
Aetna	Medical HMO & Self-funded PPO & Medicare Advantage	Provided financial proposals for the City's PPO plan and a Medicare Advantage replacement, but not the most financially competitive offering for the HMO plan. PPO Plan provider disruption is a concern (288 physicians and 32 facilities).
Anthem (Selected Vendor)	Medical HMO & Self-funded PPO, Medicare Advantage & Vision	Provided the strongest HMO & PPO plan offering. Anthem was less competitive on Medical Advantage plan. The Anthem vision plan proposal contained high disruption rates and was financially uncompetitive.
Blue Shield	Medical HMO & Self-funded PPO, Medicare Advantage & Vision	The combined medical HMO & PPO plan proposals were not the most financially competitive. Blue Shield plans would result in provider disruption. Too many HMO members would have been impacted by loss of Monarch Healthcare Medical Group (506). A Vision plan was proposed using the MES network but was not the most competitive.
Kaiser	Medical HMO	Kaiser offered an HMO plan that could not be offered as an alternative HMO plan alongside another HMO plan. This option would have provided members with additional choice but concerns over the financial impact to the other HMO and PPO plans were weighed heavily. This option contained higher renewal rates, minimum premium participant enrollment rate requirements, and a disadvantageous renewal rate formula. Additionally, Kaiser has fewer facilities located in Long Beach and no hospital located in Long Beach at this time.
SCAN (Selected Vendor)	Medicare Advantage	Provided a financially competitive renewal offering allowing continued access to SCAN providers for Medicare retirees.
UHC (Selected Vendor)	Medical HMO & Self-funded PPO, Medicare Advantage	Provided a strong financial proposal for medical HMO and PPO for active employees. Could not match all plan design nuances on the HMO plans and there was concern over member disruption on the PPO and HMO plans. UHC did not provide a renewal for the UHC Medicare Advantage HMO plan, but offered instead an option to move to a Medicare Advantage PPO (retirees) plan that would allow greater access to Medicare Providers both in and out of California.
MES	Vision	Provided a competitive renewal offering but concerns regarding lack of integration with the medical plan and wellness initiatives and availability of member access tools, utilization and claim data were weighed heavily by the City.

City of Long Beach Employee Benefits Program

Overview of Medical and Vision Requests for Proposals Responses PY 2017

RFP Vendor	Coverage Quoted	Summary Overview
Metlife	Vision	Could not quote Self-Funded Vision, which made them financially uncompetitive. In addition, network disruption was also a consideration.
VSP (Selected Vendor)	Vision	Provided a competitive Self-Funded offering with enhanced wellness initiatives, integration with the medical plan, member marketing collateral, higher frame allowance at Costco and Walmart, and utilization and claim data reporting resources. Membership disruption due to elimination of high cost retailers.

Why Anthem?

- Zero disruption to current plan participants
- Strongest financial results
- Provided the most competitive financial offering to carve-out pharmacy benefits to CVS Caremark for HMO Plans
- Presented long-term rate caps on HMO rates as well as a 3-year ASO (administrative fees) fee proposal
- Enhanced program offering for participant disease management, employee engagement, and telehealth access
- Long-term provider contract initiatives to lower future costs (such as Accountable Care Organizations)
- Local account management teams, as well as customer service and claims office

Why VSP?

- Enhanced wellness and integration with medical plan, which will assist in addressing top chronic diseases
- Member outreach and marketing collateral available
- Enhanced reporting capabilities to assist with evaluation vision plan usage and performance
- Higher frame allowance
- Member disruption can be mitigated with additional member outreach