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## Board of County Commissioners Agenda Request 42

Date of Meeting: August 30, 2005

Date Submitted: August 24, 2005

To: Honorable Chairman and Members of the Board  
 From: Parwez Alam, County Administrator  
 Lillian Bennett, Human Resources Director  
 Subject: Approval to Award County Employee Health Insurance Services

### Statement of Issue:

At the recommendation of the Health Insurance RFP Evaluation Committee and Mercer Human Resource Consulting, this agenda item requests Board approval to award County Employee Health Insurance Services to Capital Health Plan (CHP) and United Health Care (United) for the 2006 Plan Year (Attachment #1). Additionally, Board approval is requested to negotiate and finalize an agreement with both insurance carriers and authorize the Chairman to execute.

### Background:

On February 22, 2005, the Board held a workshop to discuss County Employee Health Insurance Options (Attachment #2). On March 22, 2005, the Board ratified actions taken at the Board Workshop on County Employee Health Insurance Options that included approval to issue a Request for Proposal for County Employee Health Insurance. The Board also directed staff to bring back additional information (Attachment #3).

At the May 10, 2005 Board meeting, staff provided a Status Report on County Employee Health Insurance. As requested by the Board, the status report included updates on the Request for Proposals, Consultant Agreements and a Market Share analysis of CHP, Vista and United (Attachment #4). On April 26, 2005, an Agreement and scope of services was finalized with Mercer, Human Resource Consulting to evaluate the RFP responses. On May 19, 2005, a Health Insurance RFP Evaluation committee was established. The committee was comprised of representatives from the Board and each Constitutional Office as follows:

#### **Health Insurance RFP Evaluation Committee**

Lillian Bennett, Chairman, Human Resource Director	John Stott, Clerk of Courts
Joe Sharp, Health and Human Services Director	Cindy Kelley, Supervisor of Elections
Joe McCabe, Leon County Sheriff's Office	Barry Brooks, Tax Collector
Michelle Weathersby, Property Appraiser	

The RFP Evaluation Committee, under consultation with Mercer, reviewed and analyzed the RFP responses, requested presentations from each insurance carrier and is prepared to make a recommendation to the Board for a County Health Insurance Provider.

### Analysis:

Leon County currently contracts with CHP and Vista for health insurance services. To assess the effectiveness of the County's current plan designs and assist in the RFP review process, Mercer provided a benchmarking analysis of the current health insurance coverage for Leon County as compared to National, Government and County Government entities.

### Benchmarking

The benchmarking is based on the Mercer Annual Survey of Employer Sponsored Health Plan, the largest and most comprehensive annual survey available. The complete benchmarking report can be found in the *Mercer Report Notebook on Leon County 2005 Medical and Marketing Renewal Analysis* which is located at the County

Administration 5<sup>th</sup> floor Reception Area or in the County's Human Resource Division (Attachment #5). The Executive Summary of the survey is included as Attachment #6. A brief summary of the results of the survey indicate the following:

- Leon County's total expected health benefit cost increase for 2005 was 15%, while most government and county government entities expected an 11% increase in cost.
- Leon County is significantly below industry standards in what is required for employee contributions on individual and family coverage. Leon County requires a 7.5% employee contribution while most governments and county governments require a 34% and 35% employee contribution respectively for family coverage. The national norm is 33%.
- Leon County has a \$10 physician co-pay. The national average is \$15. Leon County does not have an in-patient hospital co-pay. However 46% of all entities surveyed nationally do. The national and county average co-pay for in-patient hospital stay was \$250 per admission.

Overall, Leon County's health insurance coverage and plan design for employees exceeds comparable governments, county governments and other entities nationwide. The exception in this area has been the total percentage annual renewal increase in the cost of health benefits.

#### RFP Responses and Analysis

Upon issuance of the RFP, responses were received from three insurance carriers, Capital Health Plan, Vista, and United Health Care. A total of 30 different health plan designs and rate combinations were received and analyzed by Mercer. The proposals were subsequently presented and reviewed by the RFP Evaluation Committee. The coverage plan options included Fully Insured HMO, Fully Insured PPO, and Fully Insured POS plans.

In accordance with the requirements of the RFP, vendors submitted proposals and prepared actuarial analysis as a sole provider of County health insurance and as one of two providers of County health insurance. The three-provider option was not considered due to the County's comparatively small employee population and the potential for increased premium rates. Mercer provided a complete analysis of each of the proposals. The complete analysis can be found in the Mercer Report Notebook (Attachment #5). The Leon County Medical Renewal Summary provides an overview of each of the vendor plan offerings as shown in Attachment #1. A brief summary is outlined as follows:

#### • Capital Health Plan (CHP)

Capital Health plan has proposed a flat rate renewal for the County's existing health plan design. This essentially means that there will be no increase in premium rates over current 2005 rates. The current plan is an HMO and may continue to be offered alongside Vista or another carrier. All of CHP's alternate quotes assume a total replacement of all non-CHP Plans, with the exception of the Blue Cross Blue Shield PPO, which is offered in conjunction with CHP. The BCBS PPO options are quoted based on blended rates for the HMO and PPO offering. The PPO plan is an 80% in network, 60% out-of-network plan with deductibles and out of pocket maximums.

#### • Vista Health Plan (Vista)

Vista has proposed a renewal increase in premium rates of 8.5% for their current HMO plan design. For Vista's alternate plan quotes, 2 (two) different rates for each plan were provided. One set of rates assumes Vista will continue to be offered in conjunction with another provider. The second set of rates assumes Vista is the only insurer for Leon County (total replacement quotes). Vista does not meet Mercer's minimum financial guidelines. Vista's A.M. Best rating of C is defined as a "weak" rating. They have the ability to meet contractual obligations, but their financial strength is very vulnerable to changes in underwriting or economic conditions. The Standard & Poor rating of R indicates that Vista, since year 2000 has experienced a regulatory action regarding solvency and has not been subsequently upgraded in S&P reporting. In addition, Vista did not meet the requirement of the RFP which states that "All proposals shall show an insurance company rating from A.M. Best's Insurance Guide or appropriate financial documents to assure bidder is a stable, sound, and responsible company. Only companies rated "A" or better will be considered." Vista currently has a "C" rating.

#### • United Health Care (UHC)

UHC quoted four total replacement options (two HMO plans and two POS plans) and one HMO option to be offered alongside another carrier HMO. All are open access plans, meaning the member does not have to choose a PCP and can self-refer to specialists. Retiree and Active employee rates are blended in all UHC options so that there is no rate differential. UHC also provides access to its national HMO Choice Plus network to retirees. The HMO Choice Plus

option allows retirees to relocate from the Leon County geographical area to a location where the Choice Plus Plan is offered and continue to maintain their County health insurance. A map of the UHC network is included as Attachment #7. A listing of the Centers of Excellence is included as Attachment #8.

All of the carriers provide adequate PCP access for Leon County's employees. Similarly, all carriers appear to provide adequate hospital and pharmacy access. An analysis of the physician access, as well as the local provider directory for United is included as Attachment #9.

### **RFP Evaluation Committee Selection**

Upon completion of the review of each of the health plans submitted by each vendor, the RFP Evaluation committee, under consultation from Mercer, narrowed the plan alternatives to the following two options:

- **CHP/United Health Care HMO**
- **CHP/Blue Cross Blue Shield PPO**

The **CHP/Vista option**, the current plan offered by the County was not recommended by Mercer due to Vista not meeting the A.M Best rating of "A" as required in the RFP nor meeting the minimum Mercer financial guidelines (Attachment #10). However, the RFP Evaluation Committee rated all three-vendor plan options including the current CHP/Vista plan option based on a one or two provider option and the evaluation criteria outlined in the RFP. Please note that a third provider option was not considered due to the requirements of the RFP. In addition, carriers would have to resubmit proposals as being one of three providers, which could potentially result in increased costs. A summary of the committee's ratings is outlined as follows:

**Table #1**

### **Health Insurance RFP Evaluation Committee Ratings**

<b>Evaluation Criteria</b>	<b>pts</b>	<b>CHP/Vista Renewal Dual Choice Option</b>	<b>CHP/BCBS Dual Option</b>	<b>CHP/United Dual Choice Option</b>
Scope of Service, plan design, and integration of plan functions	15pts	38	65	71
Cost of Services, including multi-year rate guarantees/rate caps and performance guarantees	25pts	87	104	116
References and experience with similar clients, including responsiveness and financial stability	15pts	30	68	72
Hospital and Physician network/disruption	20pts	80	94	88
Reporting capabilities, online capabilities, interface with vendors	10pts	25	43	50
Customer Service, including location and hours of service, quality controls, contracts	5pts	17	22	25
Minority Vendor Participation	10pts	0	0	0
<b>Committee Members Total</b>	<b>100 pts</b>	<b>277</b>	<b>396</b>	<b>422</b>
<b>Grand Total Average</b>		<b>55</b>	<b>79</b>	<b>84</b>

None of the vendors met County minority participation goals during the RFP process (Attachment #11); however, both CHP and United have agreed to subcontract a minimum of 15.5% of services under this Agreement with certified minority vendors.

Based on the evaluation criteria outlined in the RFP and the rankings by each committee member, the RFP Evaluation Committee has selected the **CHP/United Health Care HMO** option as the recommended option for the 2006 plan year. The total cost of this option is \$12,965,348 annually. Following negotiations with United, the premium rates for both United and CHP are basically the same. After years of experiencing double digit increases, this means that for Plan year 2006, there will be no increase in health care premium rates for employees who enroll in either CHP or

Table #2

Comparison of Annual Estimated Cost

	Current 2005 CHP/Vista Costs	2006 CHP/Vista Costs	2006 CHP/BCBC Costs	**2006 CHP/United Costs
Total Cost	\$13,625,898	\$13,199,055	\$13,313,077	\$12,965,348
Cost Savings		\$ 426,843	\$ 312,821	\$ 660,550
% Decrease from 2005 costs		3%	2%	5%

\*Vista cost savings due to declining enrollment numbers. Premium rate increase of 8.5% for 2006

\*\* CHP/United Option reflects flat premium, no increase rate for 2006 from both carriers.

The benefits of the CHP/United option include the following:

- Maintains the Current Plan Design, Co-pays and Employee/Employer Contribution Rates
- Access to CHP staff employed physicians
- Access to the United Health Care National HMO Choice Plus Network
- No Increase in Premium Rates for Plan Year 2006
- 5% Reduction in Total Cost over Plan Year 2005
- Minimal Employee Disruption - 26 Vista employees must change primary care physicians
- Provides employees with a choice of two very good health options
- A.M. Best Financial Rating of "A" for United and "A-" for CHP
- Maintains competition amongst two very strong, financially stable, insurance carriers
- Automation of Billings and Reconciliations for Clerk's Office
- Performance Based Contract with Improved Reporting and Performance Standards
- Status Report to the Board on Vendor Performance at Annual Renewal

The CHP/Blue Cross Blue Shield Plan Option was also a very good plan for the County. This option could not be offered along side another vendor's plan. The plan cost was 2.7% above current CHP employer plan cost. The committee was not opposed to this option; however, with the positive results of the competitive process, the committee does not wish to compromise that process in the future with the selection of a sole provider. Accordingly, staff requests Board approval to negotiate an agreement with CHP and United for the 2006 Plan Year and to authorize the Chairman to execute. Each of the finalist comparisons of plan designs and total cost is outlined in Attachment #1.

**Self-Funded Health Insurance Plan**

The Board directed staff to have Mercer look at the feasibility of establishing a self-insured health plan for Leon County as a potential means to control costs. Mercer has performed that analysis and it is included as Attachment #12. Due to the success of the competitive process, and the flat rate increases for the 2006 Plan Year, staff does not

recommend the establishment of a self-funded health plan at this time. The Board may want to review this alternative at a future date.

### **Health Insurance Consortium**

Staff has continued discussions with the City and the School Board on the potential for establishment of a Health Care Consortium. The City's consultant has prepared a white paper on the advantages and disadvantages of such a pooling arrangement (Attachment #13). Based on the loss of complete decision-making authority by the Board regarding County employee's health care plan, the major differences in plan design and the level of employee contributions, staff recommends that the County not pursue the health care consortium at this time. In addition, all three governments currently contract with Capital Health Plan and are community rated. This essentially means that each entity shares in the liability and rate setting of the other. In a sense, the pooling or consortium arrangement, at some level, is already taking place, while at the same time allowing each government entity control over its own health plan.

In summary, staff recommends the Capital Health Plan/United Health Care HMO Option for the 2006 Plan year with a flat rate, no increase in premium rates from both providers. Staff requests Board approval to negotiate and finalize Agreements with each vendor. The Agreement will have a three-year term, with an option of three one-year renewals for a maximum period of six years. Staff will develop a communications and transition plan for the 195 employees with Vista who will need to select either the CHP or United option. It is estimated that approximately 26 of these employees will be impacted and will have to change primary care physicians. They will still receive continuation of coverage for pre-existing conditions from both CHP and United. Both CHP and United have been invited to give presentations to employees at educational sessions during the Open Enrollment period in November 2005. Staff also recommends that due to the success of the competitive process, that the Board not pursue the Self Funded Health Plan or the Health Care Consortium at this time.

### **Options:**

1. Approve the award of County Employee Health Insurance Services to Capital Health Plan and United Health Care for the 2006 Plan Year.
2. Direct staff to negotiate and finalize an agreement with Capital Health Plan and United Health Care for the 2006 Plan Year, and authorize the Chairman to execute.
3. Due to the success of the competitive process, direct staff not to pursue a Self Funded Health Plan or Health Care Consortium at this time.
4. Board Direction.

### **Recommendation:**

Options #1, #2 and #3.

### **Attachments:**

1. Mercer Leon County 2005 Medical Renewal Summary
2. Workshop Agenda dated February 22, 2005 (w/o attachments)
3. Ratification Agenda dated March 22, 2005 (w/o attachments)
4. Status Report Agenda dated May 10, 2005 (w/o attachments)
5. Mercer Report Notebook on Leon County 2005 Medical Marketing and Review Analysis (Copies available for review in 5th floor County Administration Reception Area and Human Resources)
6. Mercer Report Executive Summary of Benchmarking Survey Results
7. Map of United Health Care Choice Plus Nationwide Network

- 8. Listing of United Health Care Center's of Excellence
- 9. Physician Network Analysis/United Local Provider Directory
- 10. Mercer Analysis of Carrier Financial Ratings and Rating Explanations
- 11. M/WBE Analysis of RFP Respondents
- 12. Mercer Analysis of Self-Funded Health Plan
- 13. City of Tallahassee Consultant Report on Consortium Pooling Arrangements

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## Board of County Commissioners Agenda Request 8

Date of Meeting: September 20, 2005

Date Submitted: September 14, 2005

To: Honorable Chairman and Members of the Board  
 From: Parwez Alam, County Administrator  
 Lillian Bennett, Human Resources Director  
 Subject: Approval to Award County Employee Health Insurance Services

### Statement of Issue:

At the request of the Board at the August 30, 2005 meeting, the attached bid tabulation sheet presents the results of a new invitation to bid issued for County Employee Medical Services (Attachment #1). Accordingly, this agenda item requests Board approval to award County Employee Health Insurance Services to Capital Health Plan (CHP), Vista Health Plan (Vista) and United Health Care (United) for the 2006 Plan Year. Additionally, Board approval is requested to negotiate and finalize the draft Agreement with all three insurance carriers and authorize the Chairman to execute (Attachment #2).

### Background:

Leon County currently contracts with CHP and Vista for health insurance services. At the August 30, 2005, Board meeting, the Health Insurance RFP Evaluation Committee, comprised of Board and Constitutional Officer appointed representatives requested Board approval of the following three options (Attachment #3):

1. Award County Employee Health Insurance Services to Capital Health Plan and United Health Care for the 2006 Plan Year
2. Negotiate and Finalize an agreement with CHP and United and authorize the Chairman to execute and;
3. Do not pursue a Self Funded Health Plan or Health Care Consortium at this time.

On August 30, 2005, Vista Health Plan submitted a letter requesting Board support to continue providing health insurance services to Leon County employees (Attachment #4). The original RFP allowed for selection of either a sole provider or up to two providers. The Board rejected all bids and instructed staff to issue a new Invitation to Bid. As a result, staff revised and issued a new proposal which would allow up to three carriers to provide health insurance services to Leon County employees and eliminate the minimum A.M. Best rating requirement (Attachment #5).

### Analysis:

On September 2, 2005, an Invitation to Bid was issued for Employee Medical Coverage (Attachment #6). On September 9, 2005, bids were received and opened. Three insurance carriers, Capital Health Plan, Vista Health Plan, and United Health Care provided responses. All three carriers submitted premium rates for Plan Year 2006, that are essentially the same as the current plan year (Attachment #7). Importantly, this means that there will be no increase in total insurance cost for Leon County in the 2006 Plan Year from CHP, Vista, or United.

The total cost of health insurance for Plan Year 2006 is estimated at \$12,965,348. This continues to represent a savings of \$660,550, or a 5% reduction in cost over 2005 estimated cost of \$13,625,898. The major difference with three providers will be in employee selection of a carrier during open enrollment and the final enrollment numbers for each carrier. Nevertheless, 2006 premium rates will be guaranteed regardless of enrollment numbers.

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All three vendors have agreed to participate in the 15% minority vendor aspirational goal of M/WBE participation. At the time of the bid opening, CHP did not submit the County-approved form for the M/WBE statement; however, they did submit a written statement in the bid package agreeing to meet M/WBE goals. Since that time, CHP has submitted the signed M/WBE participation form (Attachment #8). Staff requests Board approval to waive this minor bid irregularity and accept the written statement and the appropriate M/WBE participation form from CHP.

In summary, as requested by the Board, staff is seeking Board approval of Capital Health Plan, Vista Health Plan, and United Health Care for employee health insurance services for the 2006 Plan Year. There will be no increase in rates from any of the providers. Staff requests Board approval to negotiate and finalize draft Agreements with each vendor. The Agreement will have a three-year term, with an option of three one-year renewals for a maximum period of six years.

CHP, Vista, and United will be given an opportunity to give presentations to employees at educational sessions during the Open Enrollment period in November 2005. Staff also recommends that due to the success of the competitive process, that the Board not pursue the Self Funded Health Plan or the Health Care Consortium at this time.

**Options:**

1. Approve the award of County Employee Health Insurance Services to Capital Health Plan, Vista Health Plan, and United Health Care for the 2006 Plan Year.
2. Direct staff to negotiate and finalize the draft Agreement with Capital Health Plan, Vista Health Plan, and United Health Care for the 2006 Plan Year, and authorize the Chairman to execute.
3. Waive the minor bid irregularity and accept the written statement and the appropriate M/WBE form from CHP agreeing to meet County M/WBE participation goals.
4. Due to the success of the competitive process, direct staff not to pursue a Self Funded Health Plan or Health Care Consortium at this time.
5. Board Direction.

**Recommendation:**

Options #1, #2, #3 and #4.

**Attachments:**

1. Bid Tabulation Sheet
2. Draft Agreement between Leon County and Insurance Carriers
3. August 30, 2005 agenda item on County Employee Health Insurance
4. Letter from Vista dated August 30, 2005
5. Follow-up from August 30, 2005 Board Meeting
6. Copy of Invitation to Bid issued for Employee Medical Coverage
7. Pricing Sheets for CHP, Vista and United
8. M/WBE Statement and CHP Statement to meet M/WBE goals

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