

Financial Services  
Richard H. Hinds, Chief Financial Officer

**SUBJECT:                   REQUEST FOR AUTHORIZATION TO AWARD REQUEST  
FOR PROPOSALS (RFP) #071-JJ10, DISTRICT  
HEALTHCARE BENEFIT PROGRAM**

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

**LINK TO DISTRICT  
STRATEGIC PLAN:       IMPROVE FINANCIAL SERVICES**

At the Board meeting of April 22, 2009, the Board authorized the Superintendent of Schools to issue RFP# 071-JJ10, District Healthcare Benefit Program to obtain competitive proposals for a health insurance program to become effective January 1, 2010, inclusive of seeking all necessary components to fully explore the opportunities of changing the Board's funding platform for its health insurance program from fully insured to self funded.

The RFP was issued and at the regularly scheduled bid opening of May 21, 2009, proposals were received from the following companies:

Medical Plan Proposers:

Aetna  
Blue Cross/Blue Shield of Florida  
CIGNA  
Humana  
UnitedHealthcare

Pharmacy Benefit Manager Proposers:

CVS/Caremark (Direct)  
CVS/Caremark (Healthcare Coalition)  
Medco (Direct)  
Medco (Systemed/ARMSRx/Provista)  
Walgreens

Stop Loss Proposer:

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Upon an initial review of the received proposals, it was determined that some of the information needed to evaluate the proposals was listed by the proposers as "proprietary" and could not be subject to the Public Records Act. All companies had provided the data, except for Blue Cross Blue Shield of Florida, Inc., but some had clearly stated that the data could not be made public. In conjunction with The Board Attorney's Office and the Office of Procurement Management, all proposers were contacted and asked to waive the proprietary nature of their proposals.

All proposers, except Blue Cross Blue Shield of Florida, Inc. provided written confirmation of their intent to waive the proprietary nature of their proposals. Again, in consultation with the Board Attorney's Office and the Office of Procurement Management, Blue Cross Blue Shield of Florida was sent a letter notifying them that their proposal was determined to be non-responsive as a result of their decision to not make critical data available as part of the proposal.

The Superintendent's Ad-Hoc Committee authorized by the Board at its meeting of April 22, 2009, which is comprised of the following individuals, met on July 2, 2009; July 23, 2009; August 7, 2009; and August 18, 2009:

Deputy Superintendent, District and School Operations  
Chief Financial Officer  
Controller  
Treasurer  
Risk and Benefits Officer  
ERP Team Leader, Benefits, Information Technology Services  
Director, Risk Management Division, Miami-Dade County

These Ad-Hoc Committee meetings were open to the public and included representatives from the Board's labor organizations who actively participated in discussions and question and answer sessions held with all proposers.

During the meetings, the Ad-Hoc Committee focused on the Administrative Services Only (ASO) proposals for a District-wide self insured healthcare program which included the pharmacy and stop loss insurance coverage programs imbedded in their proposal due to the competitive pricing. At the Ad-Hoc Committee meeting of August 7, 2009, the committee voted to select CIGNA and UnitedHealthcare as finalists, taking into consideration that there was a 95%+ match in the CIGNA and UnitedHealthcare provider networks, pricing and services offered.

On August 18, 2009 the Ad-Hoc Committee reviewed requested "Best and Final Offers" as provided by both CIGNA and UnitedHealthcare for proposals which included the following spectrum of services and monthly fees:

	CIGNA (A)	CIGNA (B)	UnitedHealthcare
Plan Admin.	\$ 8.78	\$ 10.74	\$ 26.05
Network Access	\$ 10.50	\$ 10.50	Included
Utilization Review	Included	Included	Included
Fiduciary (full)	Included	Included	Included
Online Reporting	Included	Included	Included
HIPAA Admin.	Included	Included	Included
Disease Mgmt.	\$ 4.41	\$ 4.41	Included
Wellness	Included	Included	Included
Nurseline	Included	Included	Included
Total ASO	\$ 23.69	\$ 25.65	\$ 26.05
Annual Admin.	\$12,091,000	\$13,092,000	\$13,296,000
3-Year Admin.	\$36,880,350*	\$39,839,000*	\$41,505,000**

\* Includes increases of 1.8% (Year 2); 1.4% (Year 3). Year 4 and 5 increases listed at 3.0%/year

\*\*Includes increases of 4.0% (Year 2); 4.0% (Year 3). Year 4 and 5 increases listed at 4.0%/year

The difference between CIGNA's option A and option B rate structure is based on fee credits received for Pharmacy Rebates. With the move to self insurance, the District will be eligible to receive rebates provided by pharmacy manufacturers, specifically on brand name drugs, based on utilization. The Board's Employee Benefits Consulting firm of Deloitte Consulting, LLP, has recommended that the District build these projected pharmacy rebates into the ASO contract as a credit to the monthly fees. This platform for guaranteeing pharmacy rebates was instituted by Miami-Dade County two years ago upon Deloitte's recommendation and has proven successful.

The proposed monthly pharmacy rebate decrements for both CIGNA options as well as UnitedHealthcare's proposal are as follows:

	<u>CIGNA (A)</u> Est. Rebates/Decrement	<u>CIGNA (B)</u> Est. Rebates/Decrement	<u>UnitedHealthcare</u> Est. Rebates/Decrement
2010	\$3,137,098/\$6.13/mo.	\$5,200,000/\$8.50/mo.	\$5,200,000/\$8.50/mo.
2011	\$3,137,098/\$6.13/mo.	\$4,800,000/\$8.00/mo.	\$4,800,000/\$8.00/mo.
2012	\$3,137,098/\$6.13/mo.	\$4,300,000/\$7.20/mo.	\$4,300,000/\$7.20/mo.

Because pharmacy rebates are paid on brand name drug utilization and not generic drugs, both companies believe that the District will realize claim savings as more generic drugs are utilized. These savings over time will meet or exceed the rebates provided for the more expensive brand name drugs.

At the Ad-Hoc Committee meeting of August 18, 2009, the committee, taking into consideration all aspects of the received proposals and subsequent "Best and Final Offers", voted unanimously to recommend that CIGNA's proposal, as amended, be selected to administer the District's self insured healthcare program effective January 1, 2010. The committee recommended that staff from the Office of Risk and Benefits Management in conjunction with Deloitte Consulting, LLP, enter into negotiations with CIGNA to maximize the proposed pharmacy rebates as listed. Subsequent to the recommendation being made by the committee, a meeting was held with CIGNA at which time CIGNA agreed that upon year end audits, if the actual rebates collected exceed the estimated rebates used as an offset to the monthly administrative fee, CIGNA will provide the additional pharmacy rebates to the District. In order to minimize any disruption, CIGNA has also agreed to mount an aggressive provider recruitment campaign for those providers which may not currently be in the CIGNA network, but may currently have a provider contract with UnitedHealthcare.

All proposers provided quotations for stop loss coverage which would transfer the risk of excess claims to an insurance contract. These quotations were provided on two options consisting of individual stop loss (ISL) which provides insurance coverage when a specific claim exceeds a specific dollar threshold; and aggregate stop loss coverage (ASL), when total annual claims exceed a specified percent in excess of the loss fund.

Because the Board is just creating its self insured program, staff is recommending the purchase of both ISL for claims which exceed \$700,000 and ASL if total claims would exceed 120% of the District's healthcare reserves. Pricing on this coverage is provided on a per employee/month basis. The rates are as follows:

Individual Stop Loss (\$700,000 threshold)  
\$2.78/employee/month  
Estimated annual premium for 2010 - \$1,419,000

Aggregate Stop Loss (claim expenditures reach 120% of reserve funding)  
\$1.85/employee/month  
Estimated annual premium for 2010 - \$944,210

As the District's self funded program matures, staff in conjunction with the District's employee benefits consulting firm will determine the need for continued purchase of stop loss coverages in future years. Stop Loss premiums are quoted on an annual basis.

**RECOMMENDED:**

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

1. award its contract for healthcare Administrative Services Only (ASO) contract, pursuant to the provisions of Request For Proposal (RFP)# 071-JJ10, District Healthcare Benefit Program, to CIGNA for an initial 3-year contract effective January 1, 2010, with ASO fees for each calendar year as follows:  
  
2010 - \$23.69 per employee/per month  
2011 - \$24.12 per employee/per month  
2012 - \$24.45 per employee/per month
2. authorize a monthly decrement for pharmacy rebates of \$6.13 per employee/month to the base ASO fees, for calendar years 2010, 2011 and 2012, subject to annual audits for actual pharmacy rebates with additional amounts to be reimbursed to the Board for each of the three years;
3. authorize the purchase of both individual stop loss and aggregate stop loss coverages for calendar year 2010 with the following coverage limits and rates:  
  
Individual Stop Loss (\$700,000) \$2.78/ee/month  
Aggregate Stop Loss (120%) \$1.85/ee/month; and
4. authorize an extension of the ASO contract with CIGNA for a fourth and fifth year at increases not to exceed 3.0% for each year, subject to Board approval for this extension.

RHH:sbc