



CITY OF  
**Ann Arbor**

**McGraw**

**City of Ann Arbor**  
**P.A. 106 Medical / Prescription Market Review**  
**High Level Evaluation**

***Review of prospective vendor bids***

***September 2010***

# PA 106 Medical / Rx Marketing

- ✦ Per the City's requirements for P.A. 106 we produced a public/open bid for medical and prescription services
- ✦ RFP was posted to BidNet website; phone calls placed to prospective bidders
- ✦ Humana, BCBSM, and AmWins/HIS responded to the RFP with bids in a timely manner; PBS provided a late bid
- ✦ Currently, the BCBSM self-funded medical plan covers 672 active and 772 retiree contracts
- ✦ The self-funded prescription plan is administered through Express Scripts, Inc. for all active and retiree groups
- ✦ The following comments provide a high level review of the bids; additional review/vetting is necessary for full evaluation



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# PA 106 Medical / Rx Marketing

- ✦ Submitted proposals include group supplement plans, employer group waiver plans (EGWPs = PDPs), Medicare Advantage (Part C), and an Rx carve out
- ✦ A separate discussion relative to EGWPs is necessary to fully understand the potential advantages this type of arrangement may provide – see summary analysis
- ✦ Two firms, AmWins (aka NEBCO) and Professional Benefits Services (PBS), are ‘aggregators’ and have proposed, in addition to access to insured group medical and Rx products, outsourced administrative services for enrollment support, eligibility management, call center, billing and premium administration, payment ‘lock box’ function, remittances, etc.



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# Humana Program

- ❖ Humana quoted a fully Insured Medicare Advantage PPO and Part D program for the Medicare-retiree group
- ❖ The Humana approach was to provide two standard medical designs (one with inpatient and office visit copays, one with no copays) and many different Rx options for the retiree group to accommodate the current structure, and replication (as closely as possible) of current suffix designs.
- ❖ The Humana program attempts to replicate the “approximate” level of benefits with BCBSM – but does not match exactly
- ❖ No pre-65 insurance or coverage solutions was offered



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# Humana Program

- ✦ The Humana program is rated on a per member (Medicare Eligible Individual, or MEI) basis, rather than per contract basis
- ✦ Based on projected per member complimentary cost of the current program, the Humana plan would save \$45.20 per member or approximately \$327,000 per year
- ✦ Access – Passive PPO pursuant to MIPPA, eff. 1/1/11
  - 95.5% with desired access (2 providers in 10 miles) to general providers
  - 93.2% with desired access (2 providers in 10 miles) to specialists
  - 89.9% with desired access (2 providers in 10 miles) to hospitals



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# BCBSM Program

- ❖ BCBSM quoted a self-funded pharmacy program to fully replace the current ESI plan (active and retired)
- ❖ Medco would provide claims processing, mail order and the out-of-state network
- ❖ Funding would be on a weekly basis for the program (previous week paid) as opposed to the quarterly settlement process for medical claims
- ❖ The current BCBSM medical admin fee is discounted \$.50 when Rx is added
- ❖ The PEPM admin fee proposed is \$1.82 per contract per month in addition to current BCBSM medical admin fee
- ❖ 3 year admin rate guarantee



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# BCBSM Program

- ❖ BCBSM did not disclose entirely their Rx fee arrangement (e.g. fees, discounts, methodologies, etc.); however, based on known and well documented common/standard practices and pricing, there is not a compelling reason to entertain further the Blue's Rx proposal compared to the in-force ESI agreement terms
- ❖ The RFP did not address, by design, a deep dive into PBM practices and pricing; the focus was on group medical
- ❖ The City is bound by a 3 year agreement with ESI, with certain exceptions/outs
- ❖ If seriously considering alternative PBM in the future, a focused and detailed RFP effort will be required



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# BCBSM – Medicare Advantage/PDP

- ✦ BCBSM failed to submit a proposal for alternatives to the current group traditional supplement arrangement
- ✦ We expected BCBSM to pursue the MA/PD opportunity, if for no other reason than to fend off potentially appealing Humana MA/PD or other group supplement proposals
- ✦ Recent conversation between BCBSM and MW has led to interest on behalf of BCBSM to submit a proposal for the City's consideration
  - Though late, we recommend we entertain it
  - If ultimately an MA/PD solution for retirees, utilizing BCBSM (if competitive) alleviates issues pertaining to under 65 dependents
  - The Rx plan would be a Medco EGWP, not a self-insured plan as quoted for the entire group (prior page)



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# Professional Benefit Services

- ✦ Professional Benefit Services (PBS) has proposed a combination of a fully insured, experience rated, non-participating group Medigap plan (through United American Insurance Co.), a fully insured PDP/EGWP (also insured through United American), with overall administration by PBS.
- ✦ The Medigap plan is a variation on standard Plan C – which is largely first dollar coverage for eligible services; standard Plan N is also presented as an alternative to several current suffixes with ‘Medi-Fill/Exact Fill’ plan designs
- ✦ They have attempted to replicate cost share by adding coinsurance on Part B services to some plans
- ✦ EGWP (Medco as PBM) matching all current Rx copayments, but variation to formulary versus current ESI list



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# Professional Benefit Services

- ❖ The United American Plan C quoted covers a number of services:
  - Part A or Part B deductible
  - Part B Excess (100% to limiting charge)
  - Skilled Nursing Coinsurance
  - Foreign Travel Emergency
- ❖ The notable gap from a high level is no coverage for preventive care (most eligible services are actually covered under traditional Medicare) – nonetheless, this is an issue for current Medi-fill suffixes
- ❖ Several of the options add cost share to attempt to replicate current design/cost share through coinsurance and copays



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# Professional Benefit Services

- ❖ The EGWP (Rx) plans quoted closely matched the current ESI plan:
  - Flat \$2, Flat \$3, Flat \$5, Flat \$10 , \$10/\$30 and \$20/\$40
- ❖ The copays are applicable up to the TROOP catastrophic limit, then co-pays decrease pursuant to the standard prescribed PDP copayment structure
- ❖ There is no “donut hole” for these plans
- ❖ As the administrator, PBS will charge 5% of the Medicare Supplement and EGWP premium. Based on current headcounts, this is approximately \$174,494 per year in fees.
- ❖ Net projected potential savings of \$6995,567 or -16% annually



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# AmWins / HIS Program

- ❖ AmWins (TPA) and Health Insurance Services (independent representative of AmWins) are proposing a fully insured Medigap retiree carve-out for medical, through United American.
- ❖ Sterling Life Insurance Company would provide the Rx Part D prescription drug plan (an EGWP)
- ❖ The plan would implement the Sterling formulary for Rx (disruption issues with other clients adopting)
- ❖ Additionally, they are proposing a self-funded Medicare B 'wrap' arrangement
- ❖ The wrap would be fully funded via an HRA by the City and would be administered through AmWins



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# AmWins / HIS Program

- ❖ AmWins admin fees are \$10.00 for medical and \$1.50 Rx per contract per month.
- ❖ There are no networks associated with the plan, the coverage would be through Medicare accepting providers
- ❖ Cost projections for 'filling in' the wrap are not adequately detailed, and therefore savings estimates are equally difficult to predict
- ❖ This would be a more complicated arrangement for the retiree – they would require up to four cards (Medicare, United American, Sterling Rx, AmWins HRA) for any particular transaction



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# Other Late Developing Options

- ❖ Though not a result of the P.A. 106 marketing effort, the Keenan Pharmacy Coalition has proposed to submit modified pricing for the current ESL relationship
  - Any pricing advantage would not impact/disrupt the current 3 year agreement with ESL, but would merely improve upon the financial terms
  - Transition to Keenan Coalition membership would be entirely transparent to plan members
  - Pricing is forthcoming – ETA 2 weeks
- ❖ BCBSM has just recently launched GlidePath



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# Other Late Developing Options

- ❖ GlidePath is a funding arrangement similar to the ICMA or MERS RMA program (an HRA)
  - GlidePath is intended to serve as a funding vehicle for retirement health plan expenses
  - The program takes the form an a funded HRA within a sub-accounted trust arrangement
  - BCBSM serves as the TPA/recordkeeper
  - Glidepath is designed as a 'defined contribution' funding approach, and to financially support the Blue's group MA-PD program



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# Other Late Developing Options

- ❖ Current statute, RRs, and PLRs, evidently support the offering and structure of RMAs
- ❖ Surveys (including McGraw Wentworth's 2010 Government Benefits Survey) reflect account-based funding arrangements as one of the top strategies for public employers when 'closing the door' on future entrants to vested group-sponsored retiree health plans
  - The largest impact to future OPEB liabilities under GASB 43/45 lies in the elimination of group plan access.
  - The Blues are designing an RMA in tandem with both a 'sponsored' and 'XX' MA/PD program for future retirees
- ❖ BCBSM is also currently designing a fully insured product for pre-65 and other non-Medicare retired individuals



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# Observations and Recommendations

- ✦ BCBSM will put up roadblocks to carving off any post-65 population into a non-Blue product; they have indicated there will be no exceptions to this guideline
- ✦ We believe BCBSM ultimately will deliver a competitive MA/PPD proposal
- ✦ Evidence with recent BCBSM and Humana MA/PPD renewals reflects the fact that these carriers are effective in maximizing CMS risk-adjusted premium, and therefore minimizing both level of and current rates of increase in employer premium (in spite of recent/on-going reductions in federal MA funding)
- ✦ The PBS service model is appealing, and pricing for the quoted array of traditional group supplement plans demands further review and consideration



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