



CITY OF
Ann Arbor

McGraw Hill
Wentworth

City of Ann Arbor
P.A. 106 Medical / Prescription Market Review
Initial Evaluation

Review of prospective vendor bids

August 2013

PA 106 Medical / Rx Marketing

- ✦ Per the City's requirements for Public Act 106 we produced a public bid for benefit services in the Spring / Summer of 2013.
- ✦ RFP was posted to BidNet website; phone calls placed to prospective bidders.
- ✦ Eight prospective vendors produced bids for various lines of business including medical / rx (for active, non-Medicare retirees and Medicare retirees), dental, and vision.
- ✦ The instructions in the P.A. 106 the bids were submitted with financial information provided separately – this initial review was conducted with no rate information.
- ✦ Vendors identified to move onto the financial review stage were selected based on a variety of objective and subjective criteria, facts, and circumstances.



McGraw-Hill

Copyright © 2013 McGraw-Hill, Inc. All rights reserved

PA 106 Medical / Rx Marketing

- ❖ We did not require incumbent vendors to bid on existing lines of business. They were allowed the opportunity to bid on changes to existing lines (i.e. a new product offering) or on lines they were not currently the incumbent vendor. For example:
 - BCBSM – bidding on Rx program
 - ESI/KPPC – bidding on EGWP (through submission of renewal offer)
- ❖ In the below slides, each vendor's response will be reviewed in high level summary.
- ❖ We have compiled a list of qualifications for vendors to move onto the financial review stage. We will compare our recommendations with that of the City; finalists will be identified accordingly.
- ❖ After the financial review, vendors will be contacted in the event the finalist interviews are necessary.



McGraw-Hill

Copyright © 2013 McGraw-Hill, Inc. All rights reserved

PA 106 Medical / Rx Marketing

- ❖ The subjective MW qualifiers in this non-financial review used to select the best partner for the City of Ann Arbor will be:
 - Protect the City from undo financial and administrative risks
 - Reflect values in line with the City of Ann Arbor's culture
 - Professionalism in presentation of abilities and opportunities
 - Ability to reduce the current administrative burden on the City
 - McGraw Wentworth's first-hand experience with a vendor and their successful administration of other MW plans
 - Preference for a minimum number of carriers to provide all services
 - Innovation and relevant experience
 - Quality of client experiences – references
 - Local/regional/MI based operations



McGraw-Hill

Copyright © 2013 McGraw-Hill, Inc. All rights reserved

PA 106 Medical / Rx Marketing

- ❖ The objective criteria in this non-financial review used to select the best partner for the City of Ann Arbor will be:
 - Fully or substantively satisfied bid requirements as specified in the proposal request cover letter and RFP Questionnaire sections
 - Adequate Geo-Access reporting for proposed network(s)
 - Performance commitments
 - Expressed willingness to enable the City to exercise greatest flexibility in determining services/vendors/funding by population segment to maximize cost reduction or trend impact opportunity
 - Stability of eligibility and claims systems environments
 - Ability to independently provide and support member services
 - Able to accommodate the City of Ann Arbor's current group structure
 - Ability to accommodate all current and prospective union scenarios and retiree commitments (design, access, cost, overall 'mirroring')



McGraw Hill
Wentworth

Copyright © 2013 McGraw Hill Wentworth, Inc. All rights reserved

Current Offerings and Prospective Approach

- ✦ Currently, the benefit plan vendors are:
 - BCBSM – Self-funded medical administration for active, non-Medicare and Medicare groups.
 - Express Scripts / Keenan Coalition – Self-funded prescription administration for active, non-Medicare and Medicare groups.
 - Delta Dental – fully-insured dental for active group
 - EyeMed – fully-insured vision for active group
 - Unum – Life and disability, although life and disability was not included in the public bid under P.A. 106 (renewal effective 1/1/14 is forthcoming, with anticipated bid activity, if necessary completed in August/September)
- ✦ Approach: limit evaluation at City's discretion to no more than two of any/all similarly situated prospective vendors or products (e.g. only two financially evaluated Medicare Advantage, or only two EGWPs, etc.)



McGraw-Hill
Wentworth

Copyright © 2013 McGraw-Hill Wentworth, Inc. All rights reserved

Summary of Bids

The following were the responses to the RFP:

Vendor	Medical / Rx Active Population	Medical / Rx Non-Medicare Population	Medical / Rx Medicare Population	Dental	Vision
Aetna	X	X	X	X	X
AmWins	X	X	X		
BCBSM				X	X
BeneSys	X	X			
Humana			X		
NVA					X
PBS	X	X	X		
Standard				X	



McGraw-Hill

Copyright © 2013 McGraw-Hill, Inc. All rights reserved

Aetna

- ✦ Aetna responded to all lines of coverage: medical, dental and vision.
- ✦ For the medical plan they have proposed the following:
 - Active – self-funded with Aetna stop-loss
 - Non-Medicare Retirees – self-funded with Aetna stop-loss
 - Medicare Retirees- fully insured Medicare Advantage program
- ✦ For the dental plan they have proposed the following:
 - Active – Combination of fully-insured Dental PPO and Dental Managed Care Organization (DMO)
- ✦ For the vision plan they have proposed the following:
 - Active –Fully-insured Aetna PPO



McGraw-Hill

Copyright © 2013 McGraw-Hill, Inc. All rights reserved

Aetna

- ✦ A review of the medical questionnaire and supporting documents generated the following commentary:
- ✦ Aetna is a large, national carrier with a proprietary Aetna Open Choice PPO network in Michigan. Aetna is the parent company of Cofinity which many of the other vendors use as a network.
- ✦ They have been particularly aggressive in marketing efforts aimed at taking over existing BCBSM business.
- ✦ They claim they have matched or beaten the discounts levels provided by BCBSM while generally offering lower administration rates (M-DIP).
- ✦ They have an impressive suite of employee / retiree targeted programs to manage and improve the health status.
- ✦ The bid references discount guarantee targets with administrative fee at risk, as well as performance quality targets / commitments.



McGraw-Hill

Copyright © 2013 McGraw-Hill, Inc. All rights reserved

Aetna

- ✦ Based on the pricing, a combination dental DPPPO and DMO could be an advantageous proposal for the City of Ann Arbor.
- ✦ This combination allows for employees to pick the most appropriate avenue of dental care.
- ✦ The DPPPO offers a wider access network with a more traditional pricing arrangement
- ✦ The DMO offers a more narrow network selection, but with a higher level of benefit and, typically, fixed pricing for services.
- ✦ The Aetna vision plan is a PPO option with the Aetna PPO network
- ✦ The rates are guaranteed for 48 months.
- ✦ Note: Delta Dental as incumbent also provides a managed dental plan which historically has not been considered by the City.



McGraw-Hill

Copyright © 2013 McGraw-Hill, Inc. All rights reserved

AmWins

- ❖ AmWins Group Benefits is a TPA that would administer the program in conjunction with a fully insured Medicare program for the Medicare retiree group.
- ❖ The active and non-Medicare population would be self-funded through AmWins using the Cofinity network.
- ❖ The Medicare retiree population would be insured through Monumental Insurance. This product is pooled, meaning the individual experience of the group would not impact the rates.
- ❖ Due to lack of diagnosis info from BCBSM they were unable to secure firm stop-loss pricing for the self-funded proposals. This can be revisited as the delay was due to the BCBSM 10 business day turnaround on the report.



McGraw-Hill

Copyright © 2013 McGraw-Hill, Inc. All rights reserved

AmWins

- ✦ There are references to a ‘wrapped’ fully insured medical plan for the retiree group. The idea would be to obtain a fully insured Medicare plan and self-funded a large portion of the deductible – as it is a pooled product, the plan often “wins” in terms of revenue paid for claims vs. the savings in plan design change.
 - We will need to review the financial proposal to understand how this is structured and the underlying cost and assumptions of the program.
- ✦ This approach has been shown to save significant premium when applied correctly, the offset is a somewhat more complicated structure and potential for employee / retiree issues with the wrap.
- ✦ A self-insured employer group waiver plan has been proposed for Medicare-eligible retirees. As such an arrangement was an anticipated area of focus upon launch of the RFP (as an alternative to the current RDS process), strong consideration should be given to this option.



McGraw-Hill

Copyright © 2013 McGraw-Hill, Inc. All rights reserved

BCBSM

- ❖ Currently the medical administrator, BCBSM responded with bids for dental, vision and prescription services.
- ❖ BCBSM has recently been making a marketing push for dental and vision services with existing clients.
- ❖ Historically, they have been uncompetitive in rates versus the stand-alone carriers, but have made headway in the last few years to become more competitive.
- ❖ There has been significant documented issues on the medical administration with BCBSM and the City of Ann Arbor. This poses potential issues as many of the same staff members would be responsible for duties related to the other lines of business.



McGraw-Hill

Copyright © 2013 McGraw-Hill, Inc. All rights reserved

BCBSM

- ✦ At 1/1/2015, the HCR transitional rule for carved-out prescription services will expire and all copays will have to accumulate toward a single medical and prescription out of pocket maximum.
- ✦ If the prescription were to remain carved-out with ESL, BCBSM would have to accept and send a presumably real-time file feed of claims to ensure members did not exceed the out of pocket maximum.
- ✦ Recently, BCBSM has stated they will not allow carve outs past 1/1/2015 – but that approach is not yet set in stone as they work through the various issues.
- ✦ BCBSM does not have as much prescription plan design flexibility as ESL in a general sense.
- ✦ Stoploss insurance could be obtained for pharmacy coverage.



McGraw-Hill

Copyright © 2013 McGraw-Hill, Inc. All rights reserved

BeneSys

- ✦ BeneSys is a third party administrator (claims processor) that works with several outside vendors to provide additional services.
- ✦ BeneSys bid on administration of the City active and pre-65 retirees in a self-funded plan.
- ✦ They would contract with the Cofinity network, owned by Aetna, to provide PPO services.
- ✦ They would partner with Envision Rx for prescription drugs services.
- ✦ Additionally, they would contract with Hines and Associates to provide utilization and case management services.
- ✦ The reference Humana as the vendor for the Medicare retirees. Humana submitted a proposal separately.
- ✦ Finally, they would recommend Ardellis for stop-loss coverage.



McGraw-Hill

Copyright © 2013 McGraw-Hill, Inc. All rights reserved

Humana

- ✦ Humana has proposed a fully insured Medicare Advantage PPO plan for the Medicare retirees.
- ✦ Humana also references BeneSys as a potential ASO vendor, but mention neither vendor is dependent on a paired selection.
- ✦ Humana has proposed a passive Medicare Advantage PPO which mirrors benefit for in and out of network providers.
- ✦ The Medicare Advantage PPO program allows for national coverage for retiree members.
- ✦ The also propose a focused review on the risk scores of the retirees followed by a communication campaign to encourage members to visit their primary care physicians.
- ✦ Pharmacy coverage would be through an EGWP (fully insured, but possibly self-insured as well, as a potentially appealing alternative to the current RDS process)



McGraw-Hill

Copyright © 2013 McGraw-Hill, Inc. All rights reserved

NVA

- ✦ National Vision Administrators (NVA) has proposed a replacement to the existing EyeMed program for active employees.
- ✦ The program is provided on a fully-insured basis with a 24 or 36 month rate guarantee.
- ✦ The network is a mix of individual practices (42%) and chain locations (58%).
- ✦ They outline online tools that are part of the proposal that simplifies the process of purchasing eye glasses.
- ✦ Additionally they have included performance guarantees for implementation of the program.



McGraw Hill
Wentworth

Copyright © 2013 McGraw Hill Wentworth, Inc. All rights reserved

PBS

- ✦ Professional Benefit Services has proposed a bid encompassing the active, non-Medicare and Medicare groups.
- ✦ The active population would be self-funded via the Cofinity network (owned by Aetna), prescription would be through EHIM or 4D and administered by PBS.
- ✦ The non-Medicare population would be self-funded via the Cofinity network (owned by Aetna), prescription would be through EHIM or 4D and administered by PBS.
- ✦ Stop-loss coverage for the above groups would be carved out to an outside vendor – recommended.
- ✦ The Medicare population would be fully insured through a United American Medicare Supplement product, prescription would be a insured EGWP through United American Insurance Company.



McGraw-Hill

Copyright © 2013 McGraw-Hill, Inc. All rights reserved

PBS

- ✦ Professional Benefit Services can provide a la carte services (similar to AmWins) as an 'aggregator'
 - Bid for product and services is separable
 - PBS can provide access to markets for post-65 retirees, as a specialist in this area
 - PBS can provide customer service, fully supporting retiree members, regardless of product/vendor/funding mix for pre- and post-65 retirees
- ✦ As with all pre-65 bids, securing stoploss will be challenging on a 3rd party carved-out basis
- ✦ PBS has proposed discussion (longer term proposition) of a unique 'captive' arrangement for pre-65 risk



McGraw-Hill

Copyright © 2013 McGraw-Hill, Inc. All rights reserved

Standard

- ✦ The Standard has proposed a full replacement dental product.
- ✦ The did not meet the requirements of the RFP and left out many sections such as the completed questionnaire.
- ✦ Without this information and the fee proposal we are unable to adequately review the option.



McGraw-Hill

Copyright © 2013 McGraw-Hill, Inc. All rights reserved

Recommendations

- ✦ Based on the review of all proposals and consideration of the aforementioned subjective and objective qualifiers, the McGraw Wentworth recommendations for review of the financial documentation and potential finalist meetings would include:
 - Aetna – Medical and Rx (active, non-Medicare, Medicare), dental, and vision
 - Humana – Medical and Rx (Medicare only)
 - Professional Benefit Services – Medical and Rx (active, non-Medicare, Medicare)
 - AmWins – self-insured PDP EGWP (Medicare only)
- ✦ We would give full consideration to ES/KPPC as an incumbent given submission separately of their EGWP proposal as a component of their normal renewal process/offer.



McGraw-Hill

Copyright © 2013 McGraw-Hill, Inc. All rights reserved