

Meeting Location:
**Fresno County Employees' Retirement
Association Board Chambers**
1111 H Street
Fresno, CA 93721
July 17, 2015 9:00 AM

AGENDA DATE: July 17, 2015

ITEM NUMBER: 10

SUBJECT: Report on Request for Proposals for Medical Administration (I)

REQUEST(S): That the Board receive and file the report on the request for proposal process for medical administration services commencing January 1, 2016

DESCRIPTION:

At the February 6, 2015 meeting, staff reported on RFP activity for the 2015 calendar year. As presented, a full request for proposal process and analysis was completed by the Gallagher Benefits team. The contract with the current vendor, Anthem Blue Cross, is in its sixth year of what was originally a three year contract. The RFP process is imperative to successfully reduce overall administration costs as well as to perform due diligence and review competitive markets. The process included, but was not limited to, the following parameters:

- Administration Services Only (ASO) and Third Party Administration (TPA) services for the self-funded PPO portion of the SJVIA group medical plan
- HMO Minimum Premium bids or alternate funding HMO options for the HMO portion of the SJVIA group medical plan
- Analysis of current and proposed billing, banking and reporting capabilities
- Analysis of current and proposed services, including:
 - Benefits Administration
 - Plan Design
 - Plan Sponsor e-Services
 - Account Management
 - Claims and Customer Service
 - Health Care Management: Utilization and Case Management
 - Telemedicine

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- Network Access
- Claims Repricing and review of current and proposed network discounts for last 24 months of real claims data
- Evaluation of questionnaire responses

Gallagher began the process in April and requested proposals from eight vendors. Four of the vendors responded to the request by submitting a proposal while the remaining four declined as they were not able to provide a competitive bid. The table below summarizes the eight vendors and their responses:

<u>Vendor Name</u>	<u>Submitted Proposal</u>	<u>Declined to Bid</u>
Aetna ASO	X	
Anthem Blue Cross ASO	X	
Blue Shield		X
Cigna		X
HealthNet		X
HealthNow Administrative Services/Blue Shield	X	
Meritain Health/Aetna	X	
United Healthcare		X

The initial analysis of the responding vendors included a review of all of the proposed fixed costs including claims Administration Fees, network Access Fees, Pooling Fees and Capitation. These components were evaluated and compared to the current vendor. Variable claims costs were reviewed including in depth analysis of the claims repricing including Inpatient Facility, Outpatient Facility, and Professional Services for the past 24 months of actual SJVIA medical claims. Following a review with SJVIA staff, Gallagher requested best and final offers, allowing for further refinement and potential savings.

SJVIA staff has reviewed and considered all offers submitted and is recommending the SJVIA remain with Anthem Blue Cross. The proposed ASO rate submitted by Anthem represents a 7% decrease in the current core administration cost, along with improvement of included services such as a network discount performance guarantee and disease management. No other vendor proposal offered a compelling reason to switch vendors at this time. The new contract will be negotiated to commence January 1, 2016 for a three year term. The contract will be brought back to the SJVIA Board for final consideration and action.

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FISCAL IMPACT/FINANCING:

None at this time.

ADMINISTRATIVE SIGN-OFF:



Rhonda Sjostrom
SJVIA Manager



Paul Nerland
SJVIA Assistant Manager