

AGENDA



Recommendation for Council Action

AUSTIN CITY COUNCIL

Regular Meeting: August 9, 2018

Item Number: 052

Purchasing Office

Authorize negotiation and execution of a multi-term contract with Health Care Service Corporation D/B/A Blue Cross Blue Shield of Texas, to provide self-funded medical program administration services, pharmacy benefit management services, and stop-loss insurance coverage, for up to five years, for a total contract amount not to exceed \$97,870,000. (Note: This solicitation was reviewed for subcontracting opportunities in accordance with City Code Chapter 2-9C Minority Owned and Women Owned Business Enterprise Procurement Program. For the services required for this solicitation, there were no subcontracting opportunities; therefore, no subcontracting goals were established).

Lead Department	Purchasing Office.
Fiscal Note	Funding in the amount of \$10,166,000 is contingent upon approval of the proposed Fiscal Year 2018-2019 budget of the Employee Benefits Fund. Funding for the remaining contract term is contingent upon available funding in future budgets. This contract will be funded by City, employee, and retiree contributions.
Purchasing Language	The Purchasing Office issued a Request for Proposals (RFP) 5800 RWS0504 for these services. The solicitation issued on February 19, 2018 and it closed on March 27, 2018. Of the eight offers received, the recommended contractor submitted the best evaluated responsive offer. A complete solicitation package, including a log of offers received, is available for viewing on the City's Financial Services website, Austin Finance Online. Link: Solicitation Documents <https://www.austintexas.gov/financeonline/account_services/solicitation/solicitation_details.cfm?sid=122968> .
For More Information	Inquiries should be directed to the City Manager's Agenda Office, at 512-974-2991 or AgendaOffice@austintexas.gov < mailto:AgendaOffice@austintexas.gov >

	NOTE: Respondents to this solicitation, and their representatives, shall continue to direct inquiries to the solicitation's Authorized Contact Person: Cyrenthia Ellis, at 512-974-1709, or Cyrenthia.Ellis@austintexas.gov <mailto:Cyrenthia.Ellis@austintexas.gov>.
Client Department(s)	Human Resources Department.

Additional Backup Information:

The contract will provide for administration of the City's self-funded medical insurance program, pharmacy benefits management, and stop loss medical coverage for eligible City employees, dependents, and retirees. The City has sole responsibility for the plan design. The contract will specifically provide for the following:

1. Medical program administration of the self-funded Preferred Provider Organization (PPO), Health Maintenance Organization (HMO), and Consumer Driven Health Plan with Health Savings Account and Health Reimbursement Account (CDHP with HSA and HRA) plans. Administrative services will include: medical claims adjudication, pre-notification of hospital admissions, utilization review, and payment for approved medical services. The recommended Contractor has discounted agreements with physicians, medical facilities, and other health providers to provide medical services and care to persons enrolled in the plans.
2. Pharmacy Benefit Management (PBM) services. The PBM services allow individuals to purchase prescription drugs from a national network of participating retail pharmacies or from the PBM's mail order service.
3. Stop-loss insurance coverage. This insurance provides protection for the City for any catastrophic claim that a covered person may incur.

This contract will replace the current contract which expires December 31, 2018. The recommended contractor is not the current provider for these services. The timely execution of this new contract is critical to ensure a continuation of services provided to eligible active and temporary employees, retirees and dependents. A new contract must be finalized before September 1, 2018 to allow adequate time for implementation of the services for coverage to begin January 1, 2019 and for the Human Resources Department to develop materials for Open Enrollment scheduled to begin October 15, 2018. Based on the price analysis of an independent consultant, this contract is expected to save the City an estimated \$5.1 million over our current contract during the first year.

An evaluation team with expertise in this area evaluated the offers and scored Health Care Service Corporation D/B/A Blue Cross Blue Shield of Texas as the best to provide these services based on business organization, experience and qualifications, work plan and implementation timeline, price proposal, financial analysis, performance measures and exceptions, local business presence and service-disabled veteran enterprise.

Contract Detail:

<u>Contract Term</u>	<u>Length of Term</u>	<u>Contract Authorization</u>
Initial Term	3 yrs.	\$47,428,000
Optional Extension 1	1 yr.	\$22,439,000
Optional Extension 2	1 yr.	\$28,003,000
TOTAL	5 yrs.	\$97,870,000

Note:Contract Authorization amounts are based on the City's estimated annual usage.