



City of Austin

Recommendation for Action

File #: 24-4293, **Agenda Item #:** 27.

4/18/2024

Posting Language

Authorize negotiation and execution of a contract for a self-funded medical program and pharmacy benefit management for eligible active and temporary employees, retirees, and dependents with Health Care Service Corporation / Blue Cross Blue Shield of Texas, for up to five years for a total contract amount not to exceed \$65,324,570.

[Note: This solicitation was reviewed for subcontracting opportunities in accordance with City Code Chapter 2-9B (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

Financial Services Department.

Client Department(s)

Human Resources Department.

Fiscal Note

Funding in the amount of \$42,000,000 is available in the Fiscal Year 2023-2024 Employee Benefits Fund.

Funding for the remaining contract term is contingent upon available funding in future budgets.

Purchasing Language:

The Financial Services Department issued a Request for Proposals (RFP) 5800 SLW3015 for these services. The solicitation was issued on December 18, 2023, and closed on January 18, 2024. Of the five 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. This information can currently be found at:

https://financeonline.austintexas.gov/afo/account_services/solicitation/solicitation_details.cfm?sid=140217.

For More Information:

Direct questions regarding this Recommendation for Council Action to the Financial Services Department - Central Procurement at: FSDCentralProcurementRCAs@austintexas.gov or 512-974-2500. Respondents to the solicitation and their Agents should direct all questions to the Authorized Contact Person identified in the solicitation.

Additional Backup Information:

This contract will cover services including:

1. Medical program administration of the self-funded Preferred Provider Organization, Health Maintenance Organization, and Consumer Driven Health Plan with Health Savings Account and Health Reimbursement Account plans. Administrative services will include medical claims adjudication, pre-

notification of hospital admissions, utilization review, and payment for approved medical services. The 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 the PBM's mail order service.

This contract will replace a contract expiring December 31, 2024. The City has sole responsibility for plan designs. The plan year for all services will be January 1 through December 31 of each year. The extension options, if exercised, will extend the contract term through December 31, 2029. The recommended contractor is the current provider of these services. Authorization amounts were determined using the contractor's offer and including a slight percentage increase built in for future years.

An evaluation team with expertise in this area evaluated the offers and scored Health Service Corporation/Blue Cross Blue Shield of Texas as the best to provide these services based on proposal specifications, general company information/account team, performance guarantees, pricing, local business presence, and small business preference.

The timely execution of this new contract is critical to ensure continuation of medical and prescription management services provided to eligible active and temporary employees, retirees, and dependents. A new contract must be finalized prior to May 1, 2024, to allow adequate time for implementation of the services for coverage to begin January 1, 2025, and for the Human Resources Department to develop materials for Open Enrollment scheduled to begin October 7, 2024. A delay in contract approval will impact medical and prescription services to all currently covered active and temporary employees, retirees, and their families.