



## Legislation Text

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**File #: 22-0241, Version: 1**

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Consider and take action on a resolution authorizing agreements with various third-party administrators for medical, life insurance, long term disability, and pharmacy benefit manager services for the period of October 1, 2022 to September 30, 2025 (Director of Human Resources and Civil Service)

Approval of this item will finalize selection of our third-party administrators and pharmacy benefit manager services for the October 1, 2022, through September 30, 2025, plan years.

The City's current third-party administrators for health, pharmacy, long term disability, and life insurance contracts expire on September 30, 2022. The City conducted a request for proposal (RFP) for third party administration for our medical plans including Preferred Provider Network(s), pharmacy benefit manager services, life insurance and long-term disability.

The RFP was released on Tuesday, March 1, 2022, and closed on Monday, April 4, 2022. With the help of our benefits consultants, HUB International, a detailed analysis of the submitted responses was conducted during the month of May with the following objectives in mind:

- ☐ Alignment with City of League City's objectives and support by management and Council;
- ☐ Demonstrated superior member service and claims processing;
- ☐ Ability to proactively meet the City of League City's service needs;
- ☐ Willingness, experience, and capability to effectively administer the programs;
- ☐ Support during the implementation process; and
- ☐ Options to manage costs.

On May 4, 2022 the City Manager, staff, and HUB International met to review the results of the RFP. Two finalists for Medical Third-Party Administrator (TPA) services, three finalists for Pharmacy Benefit Manager (PBM) services and three finalists for auxiliary plans were identified for final consideration by City Council.

### **Staff Recommendations**

Staff recommends transitioning to a three-year contract with TML Health as the third-party administrator with the Blue Choice PPO network and maintaining our current prescription benefit manager, RXBenefits/Express Scripts (ESI). This would lead to a projected decrease in total cost for third-party administration from \$9,782,165 to \$9,599,750, or a 1.86% reduction in cost. In addition, it is staff's recommendation to renew group life AD&D, voluntary life, long term disability, and voluntary short-term disability through Mutual of Omaha for three years. This would lead to a projected decrease in total cost from \$103,468 to \$97,993, or a 5.29% reduction in cost. See individual sections below for rationale.

These costs do not include stop-loss reinsurance premiums as Stop-Loss insurance is currently pending the RFP process with bids due for submittal by July 22, 2022. Additionally, for Stop-Loss insurance, providers require claims data that is at least 90 days; June 2022 data is available in mid-July. While stop-loss premium costs are needed for final plan design, those numbers are not needed for selection of the TPA provider, and PBM services.

### **Third-Party Administrator Services / Provider Network for Medical**

Responses were received from eight medical TPA providers with three declining to provide a proposal. Of the five

remaining, HUB identified the three finalists for consideration as BCBS (Incumbent), TML Health and UMR/United Health Care.

Of the final three options, UMR/UHC was eliminated as they quoted the highest administrative fees and provided less in-network discounts.

The final two options are both with Blue Cross Blue Shield although one is direct, and the other option is through the TML pool. The monetary difference between the two options, with TML being the cheaper option, is projected to be \$41,536 the first year due to run out fees and then \$65,906 through both year two and three of the three-year contract, for a projected total of \$173,348 in savings over the three years versus going directly through BCBS.

These options were also brought before the employee committee who were happy that Blue Cross Blue Shield would remain an insurance provider and approved of the swap in administration for savings. The primary concern brought forth by the committee was a possible disruption in service and overall customer support by having to go through TML. Staff members contacted several other cities that currently use TML for their health administration and other than short, administrative disruptions during TML's transition to BCBS, the cities have been happy with the service provided by TML and with TML's customer service with any insurance or billing issues that arose.

### **Pharmacy Benefit Manager (PBM) Services**

Responses for PBM Services were received from eight providers, with three declining to provide proposals. Three finalists were identified for PBM services: RxBenefits / ESI (Incumbent), Health Action Council (HAC) / Optum, Magellan and Navitus. The finalists were compared to the renewal from RxBenefits / ESI. Due to an increase in formulary rebates with RXBenefits/ESI, they were able to offer a projected net cost of \$1,103,397, which is a 9.5% decrease over our current cost with RXBenefits

Based on the analysis, it is recommended to remain under the carve-out and use a stand-alone PBM in lieu of bundling under a medical administrative services contract. The total savings projected under the prescription drug program is a combined \$116,357 based on estimated reduction of drug ingredient cost and manufacturer rebates. Drug ingredient cost is projected at 1.8% reduction or \$29,134 and rebates are expected to increase by \$86,637.

### **Group Life AD&D Insurance and Long-Term Disability**

Responses were received from ten providers with five declining to provide a proposal. Of the five remaining, HUB identified the three finalists for consideration as Mutual of Omaha (Incumbent), Lincoln Financial and UHC. Although UHC was \$1,711 less in long term disability than the incumbent Mutual of Omaha, the overall package deal was less with Mutual of Omaha. Staff recommends renewing with Mutual of Omaha with annual savings of \$5,475 below current cost and a three-year rate guarantee.

#### **Attachments:**

1. Data Sheet
2. Proposed Resolution
3. PowerPoint

#### **FUNDING**

{x} Funds are available from the Employee Benefit Fund Health Insurance account 40301650-54650

{ } Requires Budget Amendment to transfer from Account # \_\_\_\_\_ to Account # \_\_\_\_\_

{ } NOT APPLICABLE

STRATEGIC PLANNING

{ } Addresses Strategic Planning Critical Success Factor # \_\_\_\_\_ and Initiative # \_\_\_\_\_

{x } NOT APPLICABLE