

City Council Regular Meeting

Medical, Pharmacy and Dental, and Life/ADD
and Long-Term Disability RFP Results

August 3, 2021



Services and products for renewal/award

- Medical/Pharmacy and Dental (self-funded with administrative services only contracts)
 - 2018 Interlocal Agreement with City of Dallas
- Life Insurance and AD&D (insured)
- Long Term Disability Insurance (insured)
- Employee Assistance Program (self-funded)

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Medical and Pharmacy Overview

- Performance and trends
 1. Use plan performance data to drive cost-savings and quality
 2. (.09%) medical claims trend regressed 5 years vs. 7.5% market norm
 3. 8.8% pharmacy trend regressed 5 years *versus* 9% market norm
 4. 1,078 employees enrolled (2,906 covered members)
 5. Three plan options are available to members
 6. \$15,384,000 reforecast net 2021 plan year cost

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Medical and Pharmacy Vendors

- RFP Response - two vendors submitted proposals
 - Cigna Health & Life Insurance Company (Cigna)
 - Traditional carrier model
 - Open Access Plus network
 - Baylor Scott & White (BSW)
 - Broad HMO network model available in select Texas Counties
 - Preferred Accountable Care Organization (Open Direct Primary Care access)

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Medical and Pharmacy Selection Criteria

- Disruption of plan design, network; Coordinate with wellness, near-site clinics; single account manager for ease of administration (30 pts)
- Financials and overall cost and a minimum of 3-year rate guarantee (30 pts)
- Reporting / Disease management programs / references/ Open enrollment presence, member services, (25 pts)
- Service model and value-added programs (10 pts)
- HSA administration (5 pts)
- Interview, if needed (25 pts)

Staff and HMA scored proposals

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Medical and Pharmacy Proposals

Financial Analysis – Administrative Fees Only

Cigna is lower by
(\$285,723)

| Components | BSW | Cigna |
|---|-----------|-----------|
| Projected Enrollment – Employee | 1,100 | 1,100 |
| Administration Fees per employee per month (PEPM) | \$56.97 | \$35.32 |
| Annual Administration Fee PEPM | \$752,007 | \$466,284 |

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Medical and Pharmacy Proposals

Financial Analysis – Guarantees, Allowance & Credit

Cigna is better by \$175,000

| Components | BSW | Cigna |
|--|----------|---|
| Fee Guarantees | 5 Years | 3 Years 3.5% in Years 4 & 5 |
| Administration Fee Credits | \$0.00 | Q4 2021 = \$70,000 Q1 2022 = \$40,000 <i>(Best & Final)</i> |
| Implementation, Wellness & Communication Allowance Yr. 1 | \$35,000 | \$100,000 |

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Medical and Pharmacy Proposals

Financial Analysis: Fees and credits/Rx Rebates & Discounts/Projected Claims

Cigna's overall cost-saving (\$618,727)

| | BSW | Cigna |
|---------------------------------------|---------------------|---------------------|
| Year 1 Admin Fees | \$717,007 | \$256,284 |
| Medical Claims Projection | \$14,546,558 | \$14,331,584 |
| Rx Claims Adjusted with Discounts | \$3,261,892 | \$3,334,351 |
| Rx Rebates | (\$995,749) | (\$1,011,238) |
| Admin Fees + Claims Projection | \$17,529,708 | \$16,910,981 |

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Medical and Pharmacy Proposals

- Disruption Analysis (plan design, network; Coordinate with wellness, near-site clinics; single account manager for ease of administration)
 - Access to most utilized 250 physicians (Baylor 146:104 / Cigna 244:6)
 - Access to most utilized 55 hospital facilities (Baylor 18:35 / Cigna 50:3)
 - Readiness to administer current plan designs
 - Provide quarterly analytics to evaluate utilization and cost trends, and plan interventions
 - Prior notification for high-dollar claims over \$50,000
 - Designated reporting analyst

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Dental



Dental Overview & Vendor Response

- 1,075 employees enrolled (2,926 members are covered)
- PPO plan
- 2021 net cost reforecast of \$888,000 and -4.8% below budget
- 2020 claims were suppressed due to COVID-19
- RFP Response - 2 vendors submitted proposals
 - Cigna (incumbent)
 - MetLife (bundled with Baylor Scott & White)

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Dental Proposals

Financial Analysis & Access to Providers

| Components | MetLife | Cigna |
|---------------------------------|----------|----------|
| Projected Enrollment – Employee | | 1,075 |
| Administration Fees PEPM | \$4.90 | \$3.25 |
| Annual Administration Fee PEPM | \$63,210 | \$21,285 |
| PEPM Rate Guarantees | 3 years | 3 years |

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Dental – Providers within 10 Miles

- General Dentists
 - Employees with access (MetLife 95.3% match / Cigna 100% match)
 - Average distance to 2 providers (MetLife 2.2 miles / Cigna 1 mile)
- Specialists
 - Employees with access (MetLife 79.1% / Cigna 99.4%)
 - Average distance to 2 providers (MetLife 2.7 miles / Cigna 1.4 miles)
- Orthodontists at least 2
 - Employees with access (MetLife 85.4% / Cigna 99%)
 - Average distance to 2 providers (MetLife 2.8 miles / Cigna 1.4 miles)

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Life/AD & D and LTD Insurance



Bundled Life/AD&D and LTD Vendors

- Lincoln Financial Group (incumbent)
- BCBS of Texas
- The Hartford
- MetLife
- New York Life
- Ochs
- The Standard
- Symetra (quoted Life/ADD but did quote LTD)

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Life/ADD and LTD Insurance Overview

- Basic Life/ADD and Basic Long-Term Disability for all full-time employees
- Fully insured products and premium-paid by the City
- Basic/AD&D annual premium of \$92,092 (estimated).
 - Provides 1x annual salary (doubled for accidental death & dismemberment)
 - A loss ratio of 196% since implementation in 2019 and facing 54% rate increase
- LTD annual premium of \$49,482 (estimated) – covers 60% of base salary
- Voluntary supplemental coverage at employees' cost

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Top 5 Life/ADD & LTD Vendors (City-paid)

| Vendor | Basic Life/ADD Annual Cost | LTD Total Annual Cost | Combined Annual Cost | \$ Versus Current | % Versus Current |
|--------------|----------------------------|-----------------------|----------------------|-------------------|------------------|
| Current | \$92,093 | \$49,482 | \$141,575 | | |
| Lincoln | \$103,737 | \$59,378 | \$163,115 | \$21,540 | 15.21% |
| Ochs | \$84,684 | \$84,826 | \$169,510 | \$27,934 | 19.73% |
| The Standard | \$87,859 | \$88,361 | \$176,220 | \$34,644 | 24.47% |
| MetLife | \$128,084 | \$65,740 | \$193,824 | \$52,249 | 36.91% |
| Hartford | \$135,494 | \$164,704 | \$300,198 | \$158,622 | 112.04% |

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Recommendation



Staff Recommendation

- Cigna Health and Life Insurance Company
 - Medical, Pharmacy and Dental for administrative services only contract
 - Bundled services and overall cost, better guarantees and minimal disruptions
- Lincoln Financial Group
 - Life and Accidental and Dismemberment and Long-Term Disability Insurance for fully-insured premium only contract
 - Bundled products and more cost-effective



Questions?

