

Executive Summary

Board of Governors Meeting, September 21, 2022

Medical and Prescription Drug Coverage Administrative Services

Topic

Citizens staff is requesting approval to enter into a contract with Blue Cross and Blue Shield of Florida (Florida Blue) for Medical and Prescription Drug Coverage Administrative Services for eligible employees. The base term of the contract will be three (3) years followed by three (3) optional one (1) year renewal periods. The total contract amount for the six (6) year term is estimated at \$4,937,407.20. The employee enrollment will fluctuate over the term of the contract.

History

Citizens is projected to have 1,364 full-time eligible employees as of January 1, 2023. Citizens currently offers employees the following three self-funded (employer pays administrative fees and claims, and assumes risk) medical plan options through Florida Blue, with a prescription benefit program:

- Preferred Provider Organization (PPO) medical plan;
- Exclusive Provider Organization (EPO) medical plan; and,
- High Deductible Health Plan (HDHP)

On December 21, 2021, Citizens issued an Invitation to Negotiate (ITN) to procure a vendor to provide third party administrative services for the above referenced services and plans.

The ITN evaluated two vendors, Florida Blue and Aetna, in areas such as:

- Company Profile and Experience;
- Program Administrative and Support Services;
- Network Services;
- Program Content;
- Claims Processing;
- Prescription Drug Rebates;
- Innovation and Technology;
- Implementation and Service Levels; and,
- Additional Services.

Both vendors were advanced to negotiations. On June 1, 2022, following vendor demonstrations and multiple negotiation sessions, the Negotiation Team recommended an award to Florida Blue. Mercer, Citizens' Employee Benefits Consultant and Brokerage Services vendor, provided their expertise and consulting services during the negotiation process.

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The Negotiation Team based its award decision on the following criteria:

- the quality, design, approach, workmanship, prior relevant experience, and demonstrated ability of the vendor to effectively provide the products and services;
- the price and terms of payment;
- the reasonableness of the contractual terms, including service level agreements;
- the vendor's ability to provide quality and timely products and services; and,
- the vendor's ability to track performance and quality assurance metrics.

The competitive procurement process resulted in an overall savings of \$5.0M+ over current fees for the six-year contract period. Citizens negotiated additional allowances of:

- \$530,000 to be used for wellness initiatives and auditing of the plan for the period January 1, 2023, through December 31, 2028
- \$4,660,000 estimated pharmacy rebates through Florida Blue for the contract period of January 1, 2023, through December 31, 2025
- \$15,000 for a Prescription Drug market check in 2024 and 2025
- \$120,000 for a two (2) month ASO fee waiver during 2023. A separate pending contract with Florida Blue for dental insurance may provide an additional fee waiver once the contract is finalized. The three (3) months of fee waivers potentially total \$180,000 in value.

The spend authority requested from the board for the initial contract term of January 1, 2023, through December 31, 2025, is approximately \$2,425,737.60. This cost assumes 1,364 participating employees.¹ Noting that future enrollment could potentially change, the three (3) year renewal term, which expires on December 31, 2028, is approximately \$2,511,669.60. The total contract amount requested for the six (6) year term totals approximately \$4,937,407.20.

The services include the following medical and pharmacy services and programs:

- Implementation, Account Management and Plan Administration;
- Maternity;
- Care Management via the Care Connected program (support and case management for chronic and other conditions, diseases, and prevention and wellness care);
- Wellness platform;
- 24/7 Nurseline;

¹ The numbers used to project contract spend are based upon the presumption of 1,364 employees with full participation. Historically, 91% of employees participate. However, the participation rate will not be determined until after the open enrollment period for each calendar year of coverage. As well, employee participation counts will change during each contract year. This method of projection will allow for flexibility for the term of the contract.

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- HR Advocate Program;
- Claims Fiduciary Services;
- Stop Loss Coordination;
- Teladoc Telehealth Services
- Radiology Management;
- Subrogation; and,
- Reporting and Integration

Recommendation

Citizens' Staff proposes that the Board of Governors:

- a) Approve a contract (Agreement Number 22-21-0022-00) with Florida Blue for a three (3) year term, for Medical Plan and Prescription Drug Coverage Administrative Services, together with three (3) one (1) year renewal terms, for an approximate total contract amount of \$4,937,407.20, which is based on a PEPM administrative fee and depends on actual employee enrollment; and,
- b) Authorize staff to take any appropriate or necessary action consistent with this Action Item.

Medical Plan and Prescription Drug Coverage Administrative Services

ACTION ITEM

New Contract

Contract Amendment

Other _____

CONSENT ITEM

Contract Amendment

Existing Contract Extension

Existing Contract Additional Spend

Previous Board Approval _____

Other _____

Action Items: Items requiring detailed explanation to the Board. When a requested action item is a day-to-day operational item or unanimously passed through committee it may be moved forward to the board on the Consent Index.

Move forward as Consent: This Action item is a day-to-day operational item, unanimously passed through committee or qualifies to be moved forward on the Consent Index.

Consent Items: Items not requiring detailed explanation to the Board of Governors. Consent items are contract extensions, amendments or additional spending authorities for items previously approved by the Board.

Item Description	Medical Plan and Prescription Drug Coverage Administrative Services
Purpose/Scope	<p>This Action Item represents a new contract award for a third-party administrator to provide administrative services needed for self-funded Medical Plan and Prescription Drug Plan to include an Exclusive Provider Organization (EPO), a High Deductible Health Plan (HDHP), a Preferred Provider Organization (PPO), and a prescription benefit program to be offered to Citizens' employees, effective January 1, 2023.</p> <p>Employee participation will be determined during each open enrollment period for each contracted year, and total cost will be a function of the yearly enrollment in the Florida Blue plans.</p>
Contract ID	<p>Medical Plan and Prescription Drug Coverage Administrative Services</p> <p>Agreement number: 22-21-0022-00</p> <p>Recommended vendor: Blue Cross and Blue Shield of Florida (Florida Blue)</p>
Budgeted Item	<p><input checked="" type="checkbox"/> Yes</p> <p><input type="checkbox"/> No</p> <p>Funding to be included in the Annual Operating Budget for each respective contract term year.</p>

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Procurement Method	On December 21, 2021, Citizens issued an Invitation to Negotiate #21-0022 for Medical Plan and Prescription Drug Coverage Administrative Services. Two (2) vendors submitted replies, and the Evaluation Team identified two (2) proposals to proceed to the Negotiation phase. On June 1, 2022, the Negotiation Team recommended an award to Florida Blue as the third-party administrator of Medical Plan and Prescription Drug Coverage Administrative Services.
Contract Amount	The total estimated contract amount is approximately \$4,937,407.20 for the six (6) year term based upon the per employee per month (PEPM) fee specified in the contract and using a projected full-time eligible employee participation count of 1,364.
Contract Terms	Base Term: January 1, 2023, through December 31, 2025 Renewal Term: Three (3) – one (1) year renewals through December 31, 2028.

Board Recommendation (DOES NOT go through Committee)	<p>Citizens' Staff proposes that the Board of Governors:</p> <ul style="list-style-type: none"> a) Approve a contract (Agreement Number 22-21-0022-00) with Florida Blue for a three (3) year term, for Medical Plan and Prescription Drug Coverage Administrative Services, together with three (3) one (1) year renewal terms, for an approximate total contract amount of \$4,937,407.20, which is based on a PEPM administrative fee and depends on actual employee enrollment; and, b) Authorize staff to take any appropriate or necessary action consistent with this Action Item.
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Medical Plan and Prescription Drug Coverage Administrative Services

Contacts	Violet Bloom, Chief Human Resources Officer James Taylor, Director, Total Rewards
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