



MEMORANDUM

April 16, 2012

TO: Board of Mayor and Aldermen

FROM: Eric S. Stuckey, City Administrator *ES*
Russell Truell, Assistant City Administrator / CFO
Shirley Harmon, Human Resources Director
Tammie Pitts, Benefits Manager
Brian Wilcox, Purchasing Manager

SUBJECT: Group employee insurance benefits (Purchasing Office Solicitation No. 2012-022)

Purpose

The purpose of this procurement is to purchase the following group employee insurance benefits for an initial term of service of twelve (12) months, effective July 1, 2012 and through June 30, 2013, with options at the City's sole discretion to renew for like terms:

- A. health benefit management products and services;
- B.** pharmacy benefit management products and services;
- C. dental and associated group employee insurance benefits;
- D. life, accidental death and dismemberment, and supplemental life group employee insurance benefits; and
- E. long-term disability group employee insurance benefits.

Background

The City published on February 9, 2012 a Notice to Proposers in the *Williamson Herald* for the following five (5) separate and independent group employee insurance procurements: (a) health benefit program and associated services; (b) pharmacy benefit management; (c) dental benefit program and associated services; (d) group life, accidental death and dismemberment, and supplemental life; and (e) long-term disability. In addition, solicitation documents were sent on or about the same date directly to 33 potential proposers known or thought to be interested in this solicitation. Proposals from fourteen (14) vendors were publicly opened at the submittal opening held on March 12, 2012.

According to the Request for Proposals, "Respondents must be represented directly. Participation by brokers or commissioned agents will not be allowed during the proposal process or during the term of the proposed contract."

All responsive proposals were evaluated by the City's group employee insurance benefits consultant, the firm of Sherrill Morgan of Covington, KY, pursuant to the evaluation criteria listed in the Request for Proposals. In addition to the evaluation criteria for which points were allocated, fees and/or rates were also identified in the Request for Proposals as an important consideration. The following is a summary of the evaluation:

- Eight Health and Pharmacy Benefit Management (PBM) proposals were received. After scoring, the following six Health and PBM finalists were interviewed by COF representatives and Sherrill Morgan: Aetna; BlueCross BlueShield of Tennessee (BCBST); Connecticut General Life Insurance Company (Cigna); Consociate Dansig; HealthScope Benefits; and Medical Benefits Administrators, Inc. (MedBen). From the interviews, two finalists (BCBST and Cigna) were found to better meet the City's qualifications and had comparable provider networks and discounts. BCBST is the City's current third party administrator for the self-funded health and pharmacy benefit management coverage. The City and employees are pleased with the high level of service currently received by BCBST. The interview committee selected BlueCross BlueShield of Tennessee (BCBST), so staff's recommendation is to award BCBST with the Health and Pharmacy Benefit Management coverage effective July 1, 2012.



- Thirteen dental proposals were received. Delta Dental of Tennessee, the City’s current third party administrator for the self-funded dental plan, scored the highest number of points. Members have the benefit of choosing providers from two networks. The City and employees are pleased with the service currently provided. Staff’s recommendation is to award Delta Dental of TN with the dental coverage effective July 1, 2012.
- Five Basic Life, Accidental Death and Dismemberment (AD&D), and Supplemental Life Insurance proposals were received. In consideration of the response to the RFP, cost, and three-year rate guarantee, staff’s recommendation is to award Aetna with the basic life, accidental death and dismemberment, and supplemental life coverage effective July 1, 2012. It is worth noting that Aetna’s proposal included requested “legal deviations” (Aetna’s term) that staff will be reviewing discussing with Aetna in the process of preparing final documents for approval by the two parties.
- Three Long-Term Disability proposals were received. In consideration of the response to the RFP, cost, and three-year rate guarantee, staff’s recommendation is to award Aetna with the long-term disability coverage effective July 1, 2012. See note above about Aetna’s requested “legal deviations.”

Tabulations of the proposals received, one for each of the five categories of benefits identified by the Request for Proposals, as well as analysis prepared by the City’s group employee insurance benefits consultant, the firm of Sherrill Morgan, are attached.

Financial Impact

The services to be rendered pursuant to the request for proposals would be for an initial term of service of twelve (12) months, effective July 1, 2012 and through June 30, 2013, with options at the City’s sole discretion to renew for like terms. The rates quoted by the vendors awarded by the Board of Mayor and Aldermen the respective products and services will be factored into the City’s budget for the fiscal year beginning July 1, 2012.

Options

In accordance with the solicitation documents, the City reserves the right to reject any and all proposals.

Recommendation

Staff recommends that the City accept the following proposals for an initial term of service of twelve (12) months, effective July 1, 2012 and through June 30, 2013, with options at the City’s sole discretion to renew for like terms:

| Service | Recommended proposer |
|--|--|
| Health benefit management and pharmacy benefit management products and services | BlueCross BlueShield of Tennessee of Chattanooga, TN |
| Dental and associated group employee insurance benefits | Delta Dental of Tennessee of Nashville, TN |
| Life, accidental death and dismemberment, supplemental life and long-term disability group employee insurance benefits | Aetna Life Insurance Company of Hartford, CT |

Purchasing Manager Brian Wilcox is of the opinion that the prepared solicitation documents as distributed allowed for competition among multiple vendors, and that the staff recommendation appears to be made in a fair and impartial manner based upon the proposals received.

City of Franklin, Tennessee

Tabulation of Proposals*

| Purchasing Office Solicitation No.: 2012-022 Group Employee Insurance Benefits: | | | | | |
|--|---------------------------------|--|--|-----------------------|--|
| A: health benefit program and associated services | | | | | |
| Notice to Proposers published in the Williamson Herald on: | | 2/9/12 | | | |
| Number of vendors that were notified of / that responded to this request for proposals: | | 33 / 8 | | | |
| Date and time proposals due and publicly opened: | | 3/12/12 at 2:00 p.m. | | | |
| Present at opening of proposals: | | Scott Karner of Blue Cross Blue Shield of TN; Shirley Harmon, Tammie Pitts and Tracy Harness of the City of Franklin Human Resources Department; and Tiffany Wilkins and Brian Wilcox of | | | |
| Target meeting of BOMA at which recommendation will be considered: | | 5/8/12 | | | |
| Proposals received from: | Description of proposal: | Does the proposal take any exceptions to the RFP? | Points allocated pursuant to the evaluation criteria listed in the request for proposals: | Payment terms: | Proposal price per unit is valid through: |
| Aetna Life Insurance Company 151 Farmington Avenue Hartford, CT 06156 Kevin Ryan, Senior Sales Executive 615-322-1600 | A | Yes, "legal deviations" requested | 100 | net 30 days | 06/30/12 |
| BAS, LLC. 17475 Jovanna Drive Homewood, IL 60430 Justin Forton, Sales Executive 615-720-7773 | A | No exceptions taken | 92 | net 15 days | 06/30/12 |
| BlueCross BlueShield of Tennessee 1 Cameron Hill Circle Chattanooga, TN 37402 Scott Karner, Account Executive 615-386-8555 | A | No exceptions taken | 100 | net 30 days | 06/30/12 |
| Connecticut General Life Insurance Company (CGLIC) 900 Cottage Grove Road Bloomfield, CT 06152 Ryan Kocher, Senior Sales Representative 423-763-6680 | A | Yes, exceptions taken | 98 | net 30 days | 06/30/12 |
| Consociate, Inc. 321 Billingsly Court, Suite 5 Franklin, TN 37067 David Reynolds, Vice President 615-771-3534 | A | No exceptions taken | 100 | net 30 days | 06/30/12 |
| HealthSCOPE Benefits 27 Corporate Hill Drive Little Rock, AR 72205 Mary Catherine Person, President 501-218-7513 | A | No exceptions taken | 100 | net 30 days | 06/30/12 |

¹MOES indicates "meet(s) or exceed(s) specifications"

*Shaded proposal is the proposal found by the proposal evaluation team to best meets the needs of the City

Tabulation of Proposals*

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| Medical Benefits Administrators, Inc. 1975 Tamarack Road Newark, OH 43058-1009 Blair Pickerill, Regional Sales Vice President 502-896-2210 | A | No exceptions taken | 100 | net 30 days | 6/30/2012 |
| North America Administrators, L.P. 1826 Elm Hill Pike Nashville, TN 37210 Bruce Thompson, Vice President of Sales 800-411-3650 ext. 169 | A | No exceptions taken | 85 | net 20 days from date of invoice | 06/30/12 |

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Tabulation of Proposals*

| Purchasing Office Solicitation No.: 2012-022 Group Employee Insurance Benefits: | | | | | |
|--|---------------------------------|--|--|-----------------------|--|
| B: pharmacy benefit management | | | | | |
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| Number of vendors that were notified of / that responded to this request for proposals: | | 33 / 8 | | | |
| Date and time proposals due and publicly opened: | | 3/12/12 at 2:00 p.m. | | | |
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| BAS, LLC. 17475 Jovanna Drive Homewood, IL 60430 Justin Forton, Sales Executive 615-720-7773 | B | No exceptions taken | 97 | net 15 days | 06/30/12 |
| BlueCross BlueShield of Tennessee 1 Cameron Hill Circle Chattanooga, TN 37402 Scott Karner, Account Executive 615-386-8555 | B | No exceptions taken | 95 | net 30 days | 06/30/12 |
| Connecticut General Life Insurance Company (CGLIC) 900 Cottage Grove Road Bloomfield, CT 06152 Ryan Kocher, Senior Sales Representative 423-763-6680 | B | Yes, exceptions taken | 90 | net 30 days | 06/30/12 |
| Consociate, Inc. 321 Billingsly Court, Suite 5 Franklin, TN 37067 David Reynolds, Vice President 615-771-3534 | B | No exceptions taken | 90 | net 30 days | 06/30/12 |
| HealthSCOPE Benefits 27 Corporate Hill Drive Little Rock, AR 72205 Mary Catherine Person, President 501-218-7513 | B | No exceptions taken | 95 | net 30 days | 06/30/12 |

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| North America Administrators, L.P. 1826 Elm Hill Pike Nashville, TN 37210 Bruce Thompson, Vice President of Sales 800-411-3650 ext. 169 | B | No exceptions taken | 72 | net 20 days from date of invoice | 06/30/12 |

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City of Franklin

Administrative Fee Proposal Summary

Based on 616 employees

| | Aetna (transparent Rx) | Aetna (nontransparent Rx) | BAS | BCBS | Cigna | Consociate | Consociate | HealthScope | MedBen PHCS Network | MedBen Bluegrass Network | NAA |
|---|--|--|---------------|------------------------|----------------|---------------|---------------|---------------|---------------------|--------------------------|---------------|
| TPA | \$38.11 | \$25.33 | \$22.25 | \$31.72 | \$31.15 | \$12.00 | \$12.00 | \$12.50 | \$22.00 | \$22.00 | \$16.38 |
| Base Administration | (see below) | (see below) | Included | \$0.75 | \$0.75 | \$1.50 | \$1.50 | \$1.10 | Included | Included | \$1.05 |
| COBRA | Included | Included | Included | Included | Included | Included | Included | Included | Included | Included | \$0.45 |
| HIPAA | Included | Included | Included | \$2.85 | \$1.45 | \$1.45 | \$1.45 | (see below) | \$2.90 | \$2.90 | Included |
| Utilization Review/Medical Management Fee | Included | Included | Included | Included | Included | \$1.50 | \$1.50 | \$1.00 | Included | Included | Included |
| Predictive Modeling Fee | Included | Included | \$4.80 | \$3.29 | \$5.25 | \$2.60 | \$2.60 | \$4.00 | \$6.00 | \$6.00 | N/A |
| Disease Management Fee | \$4.20 | \$4.20 | Included | Included | Included | \$0.00 | \$0.00 | Included | Included | Included | Included |
| PPO Administration/Coordination Fee | Included | Included | Included | Included | Included | \$0.00 | \$0.00 | Included | Included | Included | Included |
| PPO Network Quoted | | | | | | | | | | | |
| PPO Access Fee | Aetna Included | Aetna Included | Cigna \$15.00 | BCBS \$4.25 | Cigna Included | Cigna \$16.75 | Cigna \$16.75 | Cigna \$13.00 | PHCS Network \$4.30 | Bluegrass Network \$6.50 | Cigna \$13.50 |
| Rx Administration/Coordination Fee | Included | Included | Included | Included | Included | \$0.00 | \$0.00 | \$0.50 | Included | Included | Included |
| Medicare Part D Notices & Testing Fee | TBD | TBD | (see below) | only test fee included | \$4.25 | \$1.25 | \$1.25 | (see below) | Included (1) | Included (1) | Included |
| Other Monthly Fees | see fee exhibit for optional buy up services | see fee exhibit for optional buy up services | | | | | | | | | |
| Annual Fees | N/A | N/A | 3,000 | N/A | \$1.50 (3) | N/A | N/A | N/A | N/A | N/A | N/A |
| Setup (One time fee) | N/A | N/A | N/A | N/A | N/A | N/A | N/A | N/A | 13,500 (2) | 13,500 (2) | \$5,995.00 |
| Rate Guarantees | 3 Year | 3 Year | 2 Year | 2 Year | 3 Year | 3 Year | 3 Year | 3 Year | 2 Year | 2 Year | 3 Year |

| | | | | | | | | | | | |
|---------------------------------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| TOTAL PEPM | \$42.31 | \$29.53 | \$42.05 | \$42.86 | \$41.40 | \$37.05 | \$24.55 | \$32.10 | \$35.80 | \$37.40 | \$31.38 |
| One-time Setup Fees/Other Annual Fees | \$0.00 | \$0.00 | \$3,000.00 | \$0.00 | \$0.00 | \$3,500.00 | \$3,500.00 | \$0.00 | \$13,500.00 | \$13,500.00 | \$5,995.00 |
| TOTAL ANNUAL FEES | \$312,755.52 | \$218,285.76 | \$313,833.60 | \$316,821.12 | \$306,028.80 | \$277,373.60 | \$184,973.60 | \$237,283.20 | \$278,133.60 | \$289,960.80 | \$237,955.96 |

| Optional Fees | HRA Administration Fee | not included | \$5.94 | \$2.00 | \$2.00 | \$4.00 | \$4.85 + 210 annual fee | \$4.85 + 210 annual fee | \$2.15 |
|---------------|------------------------|--------------|--------|--------|--------|--------|-------------------------|-------------------------|--------|
| \$2.75 | \$2.75 | \$7.50 | \$5.94 | \$2.00 | \$2.00 | \$4.00 | \$4.85 + 210 annual fee | \$4.85 + 210 annual fee | \$2.15 |

| Fees not charged on a pepm basis | COBRA Administration Fee | Utilization Review/Medical Management Fee | Medicare Part D Notices & Testing Fee | Total Points for Evaluation of Proposal (100 possible points) |
|----------------------------------|---|---|---------------------------------------|---|
| \$4.55 per notice | \$4.55 per notice | \$125/hr | \$1.50/notice | 100 |
| | \$1 per letter sent to all participants | | | 98 |
| | | | | 100 |
| | | | | 85 |

- Notes:
- 3 Part D Tests Included in MedBen's Set Up Fee
 - Includes run in fee of \$10,000
 - Should stop-loss not be placed with Cigna

The information above is for summary purposes only. Please refer to proposals for additional information.