



**CITY OF FORT LAUDERDALE
City Commission Agenda Memo
REGULAR MEETING**

#16-0901

TO: Honorable Mayor & Members of the
Fort Lauderdale City Commission

FROM: Lee R. Feldman, ICMA-CM, City Manager

DATE: September 20, 2016

TITLE: Motion to Approve Agreements for a Third Party Administrator for the City's Self-funded Group Health, Pharmacy Benefit Manager and Employee Assistance Programs – Cigna Health and Life Insurance Company and Cigna Behavioral Health, Inc. - \$2,116,259 [3-Year Total Administrative Services Only Cost and Employee Assistance Program Premium].

Recommendation

It is recommended that the City Commission approve agreements, in substantially the forms attached, for a three-year Third Party Administrator (TPA) for the City's self-funded group health and wellness, Pharmacy Benefit Manager (PBM), and Business Associate Agreement (BAA) with Cigna Health and Life Insurance Company (Cigna); and a BAA for a three-year Employee Assistance Program (EAP) with Cigna Behavioral Health, Inc.; and authorize the City Manager to approve three one-year renewal options, contingent upon appropriation of funds.

Background

On August 23, 2011, the City Commission approved the recommendation of Cigna as the TPA for the City's self-funded employee group benefit plan (CAM #11-1154).

On November 15, 2011, the City Commission awarded a separate three-year contract (125-10862) to Cigna with one, one-year renewal option for the City's self-funded PBM (CAM #11-1790). An additional one-year continuation of the PBM services was awarded on April 21, 2015 (CAM #15-0548).

On October 21, 2014, the City Commission approved an enhancement to the City's EAP via amendment to the City's agreement with Cigna for the City's self-funded group health and wellness program and exercised an option to purchase behavioral health services (CAM #14-1254). In addition, the City Commission authorized the continuation of this service during any renewal period of the underlying agreement.

The City's final renewal option of the contracts with Cigna as the TPA for the self-funded health plan and pharmacy benefits will expire on December 31, 2016. The City conducted a request for proposals (RFP) for the expiring services.

The background of the solicitation process includes the following:

- May 5, 2016 –RFP 565-11755 was issued for a TPA for the City’s self-funded group health and wellness, PBM and EAP.
- June 3, 2016 – The RFP closed with a total of four firms submitting proposals including:
 - Aetna Life Insurance Company (Aetna)
 - Cigna
 - Humana, Inc.
 - United Healthcare Services, Inc. (United)
- June 22, 2016 – The evaluation committee consisting of Michael Naftaniel, Benefits Manager; Hazel Grace-Dansoh, Part-time Benefits Manager; Julie Oakley, Teamsters Representative; Mathew Parness, Federation Representative; and Steve Simac, IAFF Local 765 Representative; met with AnnDebra Diaz, Senior Procurement Specialist, to begin the evaluation process. The City’s Benefit Consultant and Actuary also assisted with the process.
- June 30, 2016 – The evaluation committee met to continue further discussions and review of proposals.
- July 11, 2016 – The evaluation committee met to finalize the review of proposals, evaluate and rank the firms based on the evaluation criteria shown below:

EVALUATION CRITERIA	WEIGHT
Size and Adequacy of Provider Network	20%
Questionnaire & Performance Guarantees	15%
Administrative Services	20%
Wellness & EAP	10%
References	5%
Cost	30%
Total	100%

The two responsive firms were ranked as follows:

Cigna (1st Place)
United (2nd Place)

Humana, Inc. was deemed non-responsive because they would not accept the procurement card for payment for administrative fees, and did not provide the required Statement on Standards for Attestation Engagements 16 Type II audit reports. Aetna was deemed non-responsive because they offered a traditional pricing model for the PBM instead of the required transparent pricing model. Under the current traditional

model, the PBM administrative fees are taken from the discounts negotiated between the pharmacy manufacturers and the PBM; these discounts are not disclosed. The transparent PBM pricing model allows the City to receive 100% of the negotiated discounts; administrative fees for the PBM are clearly identified. In addition the transparent model requires that 100% of the negotiated pharmacy rebates are provided to the City.

The RFP's overall cost analysis included both fixed costs along with health and pharmacy discounts. The ranking of the overall cost was performed by the City's actuary due to the highly confidential agreements between the TPAs, the medical providers, and the pharmacy manufacturers. This analysis identified Cigna as being the most responsive in overall costs.

Cigna's provider network includes a greater number of both primary care and specialists physicians from which City subscribers can obtain care. In addition, employees' relationships with their current providers will continue seamlessly with little disruption. Members currently engaged in disease management, including chronic conditions and severe illnesses, as well as case management programs will continue with the programs without disruption.

Cigna's administration fee, PBM fee, and EAP premium are guaranteed for three years. If subsequent contract renewal options are exercised, these amounts are proposed to increase approximately 2% per year for each of the following three years.

Cigna's proposed administrative fees will save the City an estimated \$388,562 (compared to the current Cigna contract) the first year of the contract, based upon the current enrollment of 1,631 subscribers. The savings for the second and third years of the contract is estimated to be \$149,362 each year based on current enrollment.

Resource Impact

There will be no current fiscal year impact to the City. There will be a fiscal impact to the City in the estimated amount of \$409,465 for Fiscal Year 2017 from INS220101-5130 (Non-Operating Expenses – Health Insurance Admin). Future expenditures are contingent upon approval and appropriation of the Fiscal Year 2017 Budget.

<i>Estimated funds available on October 1, 2016.</i>					
ACCOUNT NUMBER	INDEX NAME (Program)	CHARACTER CODE/ SUB-OBJECT NAME	AMENDED BUDGET (Character)	AVAILABLE BALANCE (Character)	PURCHASE AMOUNT
545-INS220101-5130	Self-Insured Health Benefits	Non-Operating Expenses /Health Insurance Admin	\$21,172,680	\$21,172,680	\$409,465
PURCHASE TOTAL ►					\$409,465

Strategic Connections

This item is a *Press Play Fort Lauderdale Strategic Plan 2018* initiative, included within the Internal Support Cylinder of Excellence, specifically advancing:

- Goal 12: Be a leading government organization, managing our resources wisely and sustainably.
- Objective 1: Ensure sound fiscal management.

This item advances the *Fast Forward Fort Lauderdale 2035 Vision Plan: We Are Community*.

Attachments

Exhibit 1 – Solicitation
Exhibit 2 – Final Ranking
Exhibit 3 – Cigna Proposal
Exhibit 4 – United Proposal
Exhibit 5 – Aetna Proposal
Exhibit 6A – Humana Proposal – Part 1
Exhibit 6B – Humana Proposal – Part 2
Exhibit 7 – City Agreement
Exhibit 8 – Cigna's Medical ASO Agreement
Exhibit 9 – Cigna's Pharmacy ASO Agreement
Exhibit 10 – Cigna Health and Life BAA
Exhibit 11 – Cigna Behavioral Health BAA

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