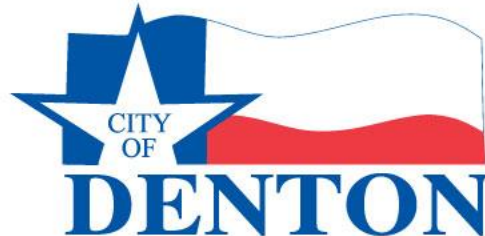


7978 ASO for Medical and Prescription Services

Deby Skawinski

Deputy Director, Risk & Compliance
Human Resources / Risk Management
November 15, 2022



ID 22-2288

Background

- The City of Denton has a self-funded health plan
 - City is responsible for funding medical and prescription claims; has control of benefit plan design and premiums
- City contracts with a third-party administrator (TPA) to administer the plan
 - United Healthcare (UHC) has been the Medical/Rx TPA since Jan. 1, 2009; Current contract expires Dec. 31, 2022
 - Includes processing all medical and pharmacy claims, provision networks, other services necessary to help manage the plan
- RFP issued in May 2022
 - 5 responses were received from:
 - Aetna
 - BlueCross BlueShield of Texas (BCBS)
 - Cigna
 - Healthcare Highway
 - United Healthcare (Incumbent)
- Evaluation included the following components:
 - A review of the proposals for services offered, compliance with specifications, price, and probable performance
 - A re-pricing exercise for medical and pharmacy claims and total fees
 - An analysis of medical/pharmacy network disruption

RFP Evaluation

- United Healthcare offered the lowest cost based upon the repricing exercise and proposed Admin Fee

Repricing Exercise for Medical and Prescription Claims

	Actual Claims and Costs for City (04/21 – 03/22)	Repricing Exercise based on UHC Proposal
Medical	\$18,338,650	\$18,338,650
Rx	\$5,394,423	\$4,528,085
Claims Total	\$23,733,073	\$22,866,735
Admin Fees	\$769,772	\$689,420
Total Cost	\$24,452,845	\$23,456,155
% Change		(4.08%)

ASO Admin Fee

Estimated	UHC Admin. Fee
Year 1	\$ 690,000
Year 2*	\$ 759,000
Year 3*	\$ 835,000
Year 4**	\$ 945,000
Year 5**	\$1,071,000
Total	\$4,300,000

*10% count increase each year, starting with 2024 avg count

**10% count increase each year for years 4 and 5, and a 3% rate increase

RFP Evaluation

- United Healthcare provided the least network disruption
 - Employees can continue healthcare management with their current providers
- Offered a competitive proposal of services and partnership to manage the City's self-funded health plan
 - Various employee wellness programs, resources, and tools
 - Strong customer service metrics
 - Efficient and reliable claims processing
 - Disease and case management services
 - Reporting and data management
 - Centers of Excellence offerings
 - Network access
 - Health plan compliance
 - Formulary drug management for pharmacy

Recommendation

- United Healthcare's proposal was determined to represent best value and services for the City's self-funded health plans
- Recommend awarding United Healthcare the ASO contract for medical and prescription services effective Jan. 1, 2023
 - 3-year term with the option for two additional 1-year renewals in a not-to-exceed amount of \$4,300,000

Questions?

Deby Skawinski

Deputy Director, Risk & Compliance

Human Resources, Risk Management