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Title: Receive a report, hold a discussion, and give staff direction regarding proposals received for City of Denton Employee Health Clinic and Operation Management Services.

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Attachments: 1. Exhibit 1 - Presentation - RFP #6198, 2. Exhibit 2 - Clinic Provider Biographies

Date	Ver.	Action By	Action	Result
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Agenda Information Sheet

DEPARTMENT: Human Resources

CM/ ACM: Bryan Langley

Date: March 28, 2017

SUBJECT

Receive a report, hold a discussion, and give staff direction regarding proposals received for City of Denton Employee Health Clinic and Operation Management Services.

BACKGROUND

This item was originally presented to Council as an Item for Individual Consideration during the February 21, 2017, meeting. At that time the item was tabled for more information to be presented during the Work Session on March 28, 2017. Following this presentation, there is an action item on this RFP during the Items for Individual Consideration, #ID17-196.

Self-Funded Health Plan

The City of Denton moved to a self-funded health plan beginning on January 1, 2008. This change in health plan funding methodology was implemented after extensive discussion with all stakeholders, and with the approval of the City Council. Self-funding allows the City to retain the savings, and build up reserves within the Health Insurance Fund, when we experience good claim years. These reserves, coupled with our Stop Loss insurance (which protects the City against catastrophic health claims), allows the City to be able to weather those years were we experience bad claims, without having to make drastic changes to the health plan.

Our benefits consultant estimates, that since 2008, the City has saved over \$13,000,000 when comparing our

total self-funded health plan costs against our estimated equivalent fully-insured health plan premiums. This has allowed the City to build up \$4,970,191 in reserves as of December 31, 2016.

Employee Health Center

In December of 2011, the City opened the Employee Health Center (Clinic). Although not directly tied to being self-funded, the Clinic is an important tool in the City’s overall goal of improving the health and wellness of the employees, retirees, and dependents covered under the health plan. However, since we are self-funded, we benefit directly from the activities of the Clinic that work to lower cost and improve health, instead of benefiting an insurance company that may, or may not, pass on some of that savings to the City in the form of reduced premiums.

Through a Request for Proposal (RFP) process, the City secured the services of CareHere, LLC, to oversee the Clinic operations and manage the medical staff, who are contract employees of CareHere, and not the City. The Clinic is located in office space provided by Medical City Denton (formerly Denton Regional Medical Center) in the professional building attached to the hospital, for a \$1 per year lease. There is currently no expiration on the lease.

The Clinic is available to all City employees, retirees, and dependents that are covered under the City’s health plan and essentially provides all services that a family practice physician performs, in addition to various lab draws that are sent to an outside laboratory for processing.

The clinic is currently staffed by:

- Amena Hashmi, DO
- Kim Gatlin, Registered Nurse, Family Practitioner-C
- Julie Brinzo, Registered Nurse, Nurse Practitioner-C
- Erika Valdez, Medical Assistant
- Daisy Sambrano, Medical Assistant

Provider biographies are included in Exhibit 2 with this AIS.

During the first four (4) full years of operation, the Clinic has provided over 35,000 patient appointments. As Table 1 below shows, utilization of the Clinic has increased each year since it opened, while continuing to expand the number of available appointments.

<i>Table 1 - Clinic Utilization</i>				
	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
Appointments Available	8,388	8,747	9,198	9,558
Appointments Utilized	6,747	7,551	8,520	8,650
Utilization %	80.4%	86.3%	92.7%	90.5%
Total Patients Accessed	1,404	1,482	1,547	1,540
Employees Accessed	966	994	1,000	1,009

As indicated in Table 2 below, employees continue to report high satisfaction with the Clinic and the Clinic staff during the annual patient satisfaction survey conducted by CareHere.

<i>Table 2 - Patient Satisfaction Survey</i>	
<u>Question</u>	<u>2015</u>
The Clinic is my first stop for any illness, health concern	70%
The Health Risk Assessment has helped me better understand my health	86%
I would recommend the Clinic to a family member or friend	81%
The Clinic is a valuable feature of my health plan package	84%
The Clinic team is friendly, caring and sensitive to my needs	90%

Below are some patient comments about their experience at the Clinic that were included in the 2015 survey results:

- “I only use the Health Center. I feel like it is one of the BIGGEST perks I have at the City.”
- “It has made it possible for me to greatly improve my health.”
- “I started as a patient because of the convenience and no cost, but continue as a patient because of the excellent care.”
- “I think the health risk assessment is great. I never knew some of my numbers and probably wouldn’t now. I know of more than one person that found a life threatening illness early due to the HRA and the health center.”

Another metric to evaluate the cost effectiveness of the Clinic is to compare the cost of accessing primary care medical services from a provider within the health plan with the cost to access care at the Clinic. As evidenced by Table 3 below, the City has consistently been able to provide an office visit at our Clinic for less money than it costs an employee to access care within our health plan. CareHere estimates that the City saved over \$625,000 in care “diversion” in 2015, and has saved an estimated \$2,750,000 in care “diversion” since the Clinic opened.

<i>Table 3 - Clinic Cost Diversion Savings</i>				
	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
United Healthcare*	\$223.15	\$131.81	\$145.65	\$136.54
Clinic	\$75.40	\$67.25	\$70.04	\$63.91
Savings Per Visit	\$147.75	\$64.56	\$75.61	\$72.63
Annual Cost Diver	\$996,874	\$487,516	\$644,207	\$628,211

*Cost data reported by United Healthcare for primary and preventative care office visits

According to the data provided by CareHere, and based on feedback from our employees, it appears that the Clinic has become a valuable benefit to our employees, retirees, and dependents, and is beginning to have the desired impact on our overall employee health.

Request for Proposals

The City’s initial two (2) year contract, plus options for three (3) one-year renewals, with CareHere expired at the end of 2016, and has since been extended until April 30, 2017. As a result, the City prepared RFP #6198 - Employee Health Clinic Operation and Management Services and submitted it to 368 prospective suppliers. In

addition, specifications were placed on the Materials Management website for prospective suppliers to download, and we advertised in the local newspaper. The City received seven (7) responses from interested companies that met our minimum specifications.

It is important to note that the services requested in the RFP were for the management and operation of our current, existing clinic, utilizing our existing clinic location and all of the equipment and supplies currently owned by the City. We made it clear in the RFP that it was the City's expectation that the existing medical staff be retained, if possible.

Even though both CareHere and Concentra have multiple clinics in the DFW area, and the Denton Community Health Center (DCHC) has the single clinic located in Denton, we would not be intermingling patient bases. In other words, patients of the Rockwall ISD clinic, managed by CareHere, do not have access to our clinic and vice versa. Similarly, patients of other DFW Concentra clinics, or the DCHC, would not be seen at our clinic and our patients would not be seen at either of those clinics, unless accessed through the health plan (Concentra's urgent care clinics and Dr. Masciarelli are part of the United Healthcare network).

A four person review committee evaluated the proposals on the following criteria:

- Price, total cost (50%)
- Compliance with specifications, quality, reliability, characteristics to meet stated or implied needs (20%)
- Indicators of probably performance under contract (30%)

Evaluation - Price, Total Cost (50%)

In evaluating the pricing component, the proposer with the lowest total cost received 50 points, with the other proposer's points being determined by a spreadsheet formula that compares their total cost against the lowest cost.

The total cost to operate the Clinic can be broken down into two separate components:

1. Administrative cost - this is the amount that is paid to the contractor for operation, management, and oversight of the Clinic. This is typically a set amount, on a per employee per month (PEPM) basis, and includes the fees to:
 - a. Manage the Clinic;
 - b. Provide the Electronic Medical Record (EMR) system;
 - c. Provide online patient portals and appointment scheduling; and
 - d. Provide wellness resources including website, health coaches, nutritionists, etc.

The administrative cost also includes the contractor's profit and overhead expenses.

2. Operational cost - these are typically "pass through" costs that are billed to the City for the day-to-day operation of the Clinic, or paid directly by the City to the vendor. These are billed on a monthly basis, without markup, and include:
 - a. Clinic staff salaries and benefits;
 - b. Medical supplies and equipment;
 - c. Expenses for outside lab work;
 - d. Office lease;
 - e. Office utilities;
 - f. Office supplies and equipment; and

g. Medical malpractice insurance.

In evaluating the total cost of each proposal, while the main component is the PEPM administrative cost paid to the contractor, we also evaluated the lab costs for various high frequency lab tests, and the costs associated with the annual HRA. We also factored in one-time costs for implementation, transition, and data transfer associated with a new vendor coming onboard.

Additionally, while the RFP stated that it was for a one-year contract, with up to four (4) one-year renewals, we evaluated the cost based on the potential total five (5) year cost.

Table 4 below summarizes the total cost evaluation.

<u>Rank</u>	<u>Company</u>	<u>Total Estimated 5 Year</u>	<u>Score</u>
1	Concentra	\$1,582,265	50.0
2	CareHere, LLC	\$1,930,822	41.0
3	WeCare, TLC	\$2,063,242	38.3
4	Cerner Corporation	\$2,206,288	35.9
5	Denton Community Health	\$2,261,961	35.0
6	Marathon Health, Inc.	\$2,368,787	33.4
7	Vera Whole Health	\$3,287,720	24.1

While Concentra had a lower estimated five (5) year total cost, CareHere did reduce their PEPM cost by \$1.50 (estimated \$135,000 savings over five (5) years). Additionally, CareHere has always included the cost of one HRA per employee within their PEPM administrative cost, while all other vendors pass that cost through to the City.

Denton Community Health Clinic (DCHC) has reached out to the Council on several occasions to express interest in operating the City’s clinic. However, DCHC was the 5th most expensive proposal received. The total estimated five (5) year cost of the DCHC proposal was \$679,696 more than the lowest priced vendor (Concentra), and \$331,139 more than the staff recommended vendor (CareHere).

Evaluation - Compliance with Specifications, Quality, Reliability, Characteristics to Meet Stated or Implied Needs (20%)

In an effort to make the evaluation as objective as possible, within this section, the review committee attempted to identify the most important factors, and then weight those factors based on the relative importance to each other. Table 5 below shows the factors and weights for this section.

<u>Factor</u>	<u>Weight</u>
Proposed staffing model	25%
Patient appointment scheduling tools (online, ph	15%

Proposed hours of operation/available patient ho	15%
Ability to duplicate the City’s existing Healthy I	15%
Minimum age requirements for patients	10%
Prescription refill process	10%
After hours nurseline and call center	10%

As indicated above, the committee weighted the proposed staffing model as worth 25% of the total score, and the patient scheduling tools as worth 15% of the total score. To calculate this section, the committee gave a score of 1 to 20 for each factor and then multiplied that by the weight (i.e. 20 points x 25% = 5 points and 20 points x 15% = 3 points). Table 6 below shows the ranking under the “Compliance” section.

<u>Company</u>	<u>Score</u>
1. CareHere, LLC	20.00
2. Vera Whole Health	18.50
3. Denton Community Health Clinic	17.45
4. Cerner Corporation	17.05
5. WeCare, TLC	15.30
6. Marathon Health	14.95
7. Concentra	14.85

Since CareHere currently provides all the services that we have requested, and have built a staffing model that meets the needs of our patient base, they received full points. Vera Whole Health scored slightly less under the prescription refill process because they didn’t seem to understand that under Texas law the physician is not able to dispense medication at the clinic. DCHC has a slightly lower score because they proposed a different, more expensive staffing model.

Concentra, who ranked number two on the overall evaluation, scored quite poorly in this section. Concentra did not address how they would duplicate the existing HIP, would only treat patients who were five years of age or older, and did not offer after-hours appointment scheduling or a nurseline.

Evaluation - Indicators of probable performance under contract (30%)

A similar evaluation and weighting of factors was conducted in this section as well. Table 7 below shows the factors and weights for this section.

<u>Factor</u>	<u>Weight</u>
Previous experience managing employer clinics	30%
Clinic transition (to include the number of clinic existing staff, and the timeline)	25%
Plan to manage provider sick leave, vacations, at	20%

Appointment management model (length of app	15%
Clinic management model and location of manag	5%
Familiarity with Texas laws	5%

Table 8 below shows the ranking under the “Probable Performance” section.

<i>Table 8 - Probable Performance</i>	
<u>Company</u>	<u>Score</u>
1. CareHere, LLC	30.00
2. Cerner Corporation	28.05
3. Marathon Health	27.90
4. Concentra	23.25
5. WeCare, TLC	22.50
6. Denton Community Health Clinic	21.75
7. Vera Whole Health	18.25

Similarly to the Compliance section, CareHere scored highest based on our five years of experience with them performing clinic operations and management. Cerner and Marathon both scored slightly lower because neither would commit to retaining the existing clinic staff and proposed slightly shorter appointment lengths.

Concentra was ranked fourth in this category because they did not provide details regarding their transition plan and also would not commit to retaining the existing staff. Concentra’s experience is also more heavily slanted to occupational health and workers’ compensation than employee health.

Experience in managing on-site/near-site clinics for employers was a major factor in this category. Since DCHC has significantly less experience than the other proposers, they did not score as well. Table 9 below summarizes the number of employer clinics managed by the respective proposers.

<i>Table 9 - Summary of Clinics Managed</i>	
<u>Proposer</u>	<u># of employer clinics managed</u>
1. CareHere	208
2. Cerner	175
3. Marathon Health	147
4. Concentra	140
5. WeCare TLC	30
6. Vera Whole Health	6
7. Denton Community Health Clinic	1

If the City were to change clinic management companies, the ability to successfully transition an existing clinic was another major factor to be evaluated. Because of DCHC’s comparable lack of experience, this is another area where DCHC scored lower. Table 10 below summarizes the experience each proposer has in transitioning

existing clinics.

<u>Proposer</u>	<u>Clinic Transition Experience</u>
1. CareHere	N/A*
2. Concentra	16 in 2016
3. Marathon Health	15
4. Cerner	Extensive experience, including 6 public entities
5. WeCare TLC	15% of business
6. Vera Whole Health	1
7. Denton Community Health Clinic	0

*CareHere is the incumbent so no transition would be necessary

Table 11 shows where each company ranked in each of the three evaluation categories.

<u>Company</u>	<u>Price</u>	<u>Compliance</u>	<u>Performance</u>	<u>Total</u>
CareHere, LLC	2	1	1	4
Cerner Corporation	4	4	2	10
Concentra	1	7	4	12
WeCare, TLC	3	5	5	13
Denton Community	5	3	6	14
Marathon Health	6	6	3	15
Vera Whole Health	7	2	7	16

And finally, Table 12 shows the final ranking and total score considering all three evaluation categories.

<u>Company</u>	<u>Score</u>
1. CareHere, LLC	91.00
2. Concentra	88.10
3. Cerner Corporation	81.00
4. Marathon Health	76.20
5. WeCare, TLC	76.10
6. Denton Community Health Clinic	74.20
7. Vera Whole Health	60.80

Based on the above scores, generated after a comprehensive evaluation of all seven (7) proposals, the review committee recommends CareHere, LLC. This recommendation is based on multiple factors including:

- A five (5) year proven track record of operating a successful clinic for the City
- Extensive experience (208) operating clinics across the country
- Existing staff will be retained preserving the patient/provider relationships
- No potential transition issues
- After hours call center/nurse line
- Demonstrated management commitment to continuous clinic improvement
- Integrated health coach
- Robust wellness platform
- Demonstrated collaborative relationship with clinic providers and the City

Additional Information

Below please find answers to additional questions that were asked by Council during the February 21, 2017 meeting

1) Did the built-in price increases of the original contract match reality?

Yes, while the original contract provided a provision for a price escalation annually to the Per Employee Per Month (PEPM) fee, CareHere never increased their PEPM rate. Please note that PEPM fee does fluctuate each month based upon the number of employees.

We have tried to keep clinic staff pay increases consistent with those raises received by City employees. From 2013 - 2016 staff have received annual raises (if warranted by performance) of 3 - 4%.

Per McKesson, the medical supply and equipment provider for the Clinic, the prices for medical supplies, equipment, tests, and vaccines have not increased significantly over the past five (5) years.

2) Did the original contract total go over the not to exceed amount (NTE)?

The contract and ordinance did not have a stated NTE amount.

3) What are the built-in price increases for the new contract?

The price for the PEPM fee is fixed for the full five-year term of the contract. The escalation for staffing services is based upon a third party index, the US Department of Labor, Bureau of Labor Statistics, Current Employment Statistics (CES) for all employees, thousands, education and health services (CES65000001). The price may increase or decrease a maximum of 8% each individual year.

For purposes of calculating the NTE amount for the new, proposed contract, we factored in a reasonable 2% annual increase in the number of employees (to determine the total estimated PEPM administrative fee) and a 3% annual increase in staff salaries, medical supplies, and medical equipment (to determine the total estimated pass through costs).

4) Is it not significant that the window for the 120 day period for which the proposals are valid has passed?

The RFP wording states:

The information included in the solicitation response(s), and any cost information obtained from a negotiation process, remain valid for 120 days from the response due date **or until the contract is approved by the governing body.**

Based on our standard wording, all response are still valid. As a courtesy to all respondents, Purchasing did send an email to each proposer requesting they extend their proposal through the end of April. All proposers agreed.

RECOMMENDATION

An action item for this topic is included in the Items for Individual Consideration, #ID 17-196, of the March 28, 2017 Council agenda.

PRIOR ACTION/REVIEW (Council, Boards, Commissions)

This topic was originally discussed by the City Council during the February 21, 2017 Council meeting.

FISCAL INFORMATION

Funding is budgeted in the Health Insurance Fund account 850500.6706.0001.

STRATEGIC PLAN RELATIONSHIP

The City of Denton's Strategic Plan is an action-oriented road map that will help the City achieve its vision. The foundation for the plan is the five long-term Key Focus Areas (KFA): Organizational Excellence; Public Infrastructure; Economic Development; Safe, Livable, and Family-Friendly Community; and Sustainability and Environmental Stewardship. While individual items may support multiple KFAs, this specific City Council agenda item contributes most directly to the following KFA and goal:

Related Key Focus Area: Organizational Excellence
Related Goal: 1.2 Develop a high-performance work force

EXHIBITS

Exhibit 1: Presentation
Exhibit 2: Clinic Provider Biographies

Respectfully submitted:
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