



Legislation Details (With Text)

**File #:** ID 17-196      **Version:** 1      **Name:**

**Type:** Ordinance

**File created:** 2/5/2017      **In control:** City Council

**On agenda:** 3/28/2017      **Final action:**

**Title:** Consider adoption of an ordinance accepting competitive proposals and awarding a contract for the City of Denton Employee Health Clinic and Operation Management Services; and providing an effective date (RFP 6198-awarded to CareHere, LLC in the amount of \$20.00 per employee per month (PEPM) for an estimated annual cost of \$386,325 for management costs and \$566,000 for salaries and supplies with a five (5) year total not-to-exceed \$5,010,300).

**Sponsors:**

**Indexes:**

**Code sections:**

**Attachments:** 1. Exhibit 1-Evaluation and Ranking Sheet, 2. Exhibit 2-Ordinance, 3. Exhibit 3-Contract, 4. Exhibit 4-Staff Presentation

Date	Ver.	Action By	Action	Result
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AGENDA INFORMATION SHEET

**DEPARTMENT:** Materials Management

**ACM:** Bryan Langley

**AGENDA DATE:** March 28, 2017

**SUBJECT**

Consider adoption of an ordinance accepting competitive proposals and awarding a contract for the City of Denton Employee Health Clinic and Operation Management Services; and providing an effective date (RFP 6198-awarded to CareHere, LLC in the amount of \$20.00 per employee per month (PEPM) for an estimated annual cost of \$386,325 for management costs and \$566,000 for salaries and supplies with a five (5) year total not-to-exceed \$5,010,300).

**BACKGROUND INFORMATION**

The City of Denton opened the Employee Health Center (Clinic) in December of 2011 in office space provided by Denton Regional Medical Center in the professional building attached to the hospital. 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. Our initial staffing model consisted of a full-time physician, a part-time physician, and two medical assistants. The Clinic is currently staffed with a part-time physician, a full-time nurse practitioner, a part-time nurse practitioner, and three medical assistants. The staffing model has evolved over time due to many factors including the need to provide more available appointments to meet demand, staff turnover, availability of providers in the immediate labor market, and staff salary costs.

The Clinic 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. During the first four full years of operation, the Clinic has provided over 35,000 patient appointments to employees, retirees, and dependents that are covered on the City’s self-funded health plan. As Table 1 below shows, the Clinic’s number of appointments offered and utilized has increased each year since it opened.

	2012	2013	2014	2015	% Change ('14 to '15)
Appointments Available	8,388	8,747	9,198	9,558	3.91%
Appointments Utilized	6,747	7,551	8,520	8,650	1.53%
Utilization %	80.4%	86.3%	92.6%	90.5%	

We have worked diligently to add additional provider appointment hours to meet the demands that come with increased utilization. Based on feedback that at certain times during the year (i.e. cold and flu season, the last two months of the Health Risk Assessment follow-up time period) it

was extremely difficult to get an appointment, we added additional “sick visits” and extra provider hours to the schedule during these peak times.

While the Clinic provides a wide array of primary care health services, our main focus is on prevention and wellness. The Clinic serves as the access point for our Healthy Incentives Program (HIP) which provides qualifying employees with a \$40 per month savings on their health coverage if they meet the HIP criteria. The most important piece of the HIP program is the required Health Risk Assessment (HRA) which is performed at the Clinic. The HRA consists of a blood draw and comprehensive lab analysis, as well as a follow-up visit with the medical staff at the Clinic to go over the results.

In addition to the HRA and follow-up, employees must earn “activity points” over the course of the year to qualify for the HIP premium differential. Activity points can be earned as follows:

- By meeting certain biometric measurements (BMI/waist circumference, blood pressure, HDL cholesterol, glucose, and tobacco use);
- By having certain age and gender appropriate health screenings performed (mammogram, PSA, skin cancer, colonoscopy, dental, and vision, etc.);
- By accessing information on the CareHere website (health and wellness articles, recipes, exercise videos, quizzes, etc.); and
- By participating in City sponsored health and wellness activities (Benefits & Wellness Fair, blood drives, National Start Walking Day, on-site flu shot clinics).

In the first four full years of operation, the Clinic has conducted over 3,300 HRA’s with 821 being performed in 2015. Approximately 730 employees qualified for the HIP premium differential for 2016.

The Clinic service model is designed to reduce waiting room times and ensure that patients have a full 20 minute appointment with a medical provider. This model, coupled with the HRA data on employees, allows the

provider a better opportunity to influence an employee’s overall health. For example, if an employee comes in for treatment of their seasonal allergies, there is sufficient time within the appointment for the provider to discuss how the employee is doing managing their diabetes or high cholesterol, if applicable.

CareHere reports that 71% of HRA participants in 2015 have maintained or decreased their overall risk factors. For example, the number of HRA participants with an unhealthy A1C level (a blood test used to monitor blood glucose for diabetics) decreased by 9% in 2015. The number of HRA participants with a total cholesterol level over 200 decreased by 13%. However, when looking at Body Mass Index (BMI), the number of employees in the Overweight/Obese categories increased by 7%.

Employees continue to report high satisfaction with the Clinic and the Clinic staff. In a 2015 Patient Satisfaction Survey, 70% of the respondents indicated that the Clinic is their “first stop for any illness, health concern, or wellness visit.” When asked if employees would recommend the Clinic to a co-worker or family member, 81% said that they would, and 84% of respondents said the Clinic “is a valuable feature of my total benefit plan.” And 90% of the respondents believe that the Clinic staff is “friendly, caring, and sensitive to my needs.”

Respondents to the survey had great things to say about the Clinic. One person stated “I only use the Health Center. I feel like it is one of the BIGGEST perks I have at the City.” Another commented “It has made it possible for me to greatly improve my health.” And another employee really summed up what we hoped would happen when we opened the Clinic “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.”

As evidenced by Table 2 below, the City has been consistently able to provide an office visit at our Clinic for less money that it costs an employee to access care within our health plan, saving the City over \$625,000 in care “diversion” in 2015, and an estimated \$2,750,000 since the Clinic opened.

	2012	2013	2014	2015	Change ('14 to '15)
United Healthcare	\$223.15	\$131.81	\$145.65	\$136.54	(6%)
Clinic	\$75.40	\$67.25	\$70.04	\$63.91	(9%)
Savings Per Visit	\$147.75	\$64.56	\$75.61	\$72.63	

\*-cost data reported by United Healthcare for primary and preventative care office visits

Additionally, CareHere estimates that the City has saved \$3.97 in health care related expenses for every \$1 invested in the Clinic (Return-on-Investment).

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. We anticipated as we began this endeavor that it would take five to seven years to start seeing any measurable reduction in health care cost. And although medical and pharmacy costs continue to increase, our overall trend numbers are below the industry average, and we are seeing positive changes in many of our patients’ health indicators that drive that cost.

Since the beginning, CareHere has been a valuable and trusted partner in helping the City develop, open, and grow the Clinic. We have ongoing, open dialogue regarding the operation of the Clinic, with the goals of

improving care for our employees, retirees, and dependents, while positively impacting their overall health guiding our decisions. CareHere brings local (DFW area), state-wide, and national experience to these discussions with expansive resources to help meet our needs.

### Request for Proposals

The City's initial contract with CareHere will expire at the end of February 2017. As a result, the City prepared RFP #6198 - Employee Health Clinic Operation and Management Services.

The RFP was sent to 368 prospective suppliers. In addition, specifications were placed on the Materials Management website for prospective suppliers to download and advertised in the local newspaper. The City received seven (7) responses from interested companies that met our minimum specifications.

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

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

After the review committee's initial evaluation, two responses separated themselves from the others (CareHere and Concentra). Those two companies were brought in to make formal presentations, to answer additional questions, and to discuss their proposals in greater detail.

Based on their proposals, the additional information gained and clarified during the formal presentations, and reference checks, the review committee scored CareHere the highest and believe they provide the best overall value to the City.

### Evaluation - 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 tests, and the costs associated with the annual HRA. We also factored in one-time cost for implementation, transition, and data transfer associated with a new vendor coming onboard.

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.

Other potential costs of changing vendors, that are not as easy to quantify, include:

1. Staff turnover - the Clinic medical staff are contracted/employed by CareHere. It was our intent to retain the current Clinic staff, if possible, to preserve the continuity of care for the patients. All the providers and medical assistants are well liked and respected by the Clinic patient base, and by City staff that engage with them. There was the possibility that a new vendor might not want to retain the staff, or that the staff might not want to work for/be contracted with the new vendor.
2. Medical records transfer - while the hard dollar costs to transfer the data from one EMR system to another was built into the proposer's estimated costs, the time and disruption of having to get permission from each patient to transfer those records to another company would also impact the Clinic.

So while Concentra's overall estimated five (5) year total cost was approximately \$375,000 less than CareHere, when factoring in the above risk factors, and the fact that we will be experiencing a savings as indicated from CareHere lowering their PEPM fee, the \$75,000 per year savings in the context of a \$20,000,000 health plan budget does not seem that great.

### Evaluation - Performance

CareHere has established themselves as a strong, flexible, and responsive partner for the Clinic. As illustrated in Tables 1 and 2 above, the Clinic has continued to grow and expand services, while remaining a cost effective alternative to seeking care from providers under the insurance plan. As such, we have a baseline understanding of what the City expects from a Clinic manager and the means to achieve our shared outcomes.

Both CareHere and Concentra have several clinics in the DFW area, and a clinic presence throughout Texas, and across the country. Although many of Concentra's clinics are focused on occupational health (post job related injury care, workers' compensation, employee physicals, work related immunizations, and drug testing), the review committee had confidence in Concentra's ability to operate and manage our Clinic. However, several areas concerned us when compared to our experience with CareHere:

1. Lack of expressed commitment to retain the current Clinic staff - one of the main keys to a successful clinic is the provider/patient relationship. Throughout the RFP document we made it clear that it was our intention to retain the current provider staff at the Clinic. While Concentra indicated they would make an attempt to do so, nothing in the RFP response, or the interview, gave the review committee any confidence that retaining the current staff was a priority for them.
2. No afterhours call center/nurse line - the Clinic currently has a 24/7 call center and nurseline that patients can call to schedule appointments, seek minor medical triage, or request information from the

Clinic. This service is utilized approximately 100 times per month after normal Clinic business hours. Concentra does not offer this service.

3. Minimum age requirements for patients - the Clinic currently sees patients who are two (2) year of age and older. Concentra will not see patients who are less than five (5) years of age. The Clinic currently treats 37 children between 2 - 5 years of age, and provided 41 patient encounters last calendar year to that demographic. A change in companies would require these employees to find alternate care for their children within the health plan, which would increase their out-of-pocket costs.
4. Wellness program is provided by a third-party vendor - the entire wellness platform proposed by Concentra, including wellness coaches and the web services, is out-sourced to a third-party vendor.

### **RECOMMENDATION**

Staff recommends awarding a one (1) year contract, with four (4) one-year options to renew, to CareHere, LLC, for a total five (5) year contract award not-to-exceed \$5,010,300. The five (5) year management costs are estimated at \$2,005,300 and the salaries and supplies are estimated at \$3,005,000. This total five (5) year cost estimate includes a 2% increase in employees per year.

### **PRINCIPAL PLACE OF BUSINESS**

CareHere, LLC.  
Brentwood, Tennessee

### **ESTIMATED SCHEDULE OF PROJECT**

February 21, 2017, through February 21, 2022.

### **FISCAL INFORMATION**

Funding is budgeted in the Health Insurance Operating 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: Evaluation and Ranking Sheet
- Exhibit 2: Ordinance
- Exhibit 3: Contract
- Exhibit 4: Staff Presentation

Respectfully submitted:  
Ethan Cox, 349-7421  
Customer Service Manager

For information concerning this acquisition, contact: Scott Payne at 349-7836.