DEPARTMENT OF EMPLOYEE SERVICES

CITY OF JACKSONVILLE

MEMORANDUM

TO: Greg Pease, Chairperson
Professional Services Evaluation Committee

FROM: Bob Parr, Chief of Compensation and Benefits
Mary DiPerna, Manager of Personnel Services

SUBJECT: Sole Source Award Request

DATE: November 28, 2016

P-15-17 SS#1 (SS-0362-17)

This is to recommend that the City approve a sole source award to Integra Administrative Group to provide the City with a UF Health-based High Performance Network Health Plan that will be offered to employees as a fourth group insurance plan option. A High Performance Network is one that is exclusive to UF Health and offers contracting advantages that will help to reduce long-term health costs for the COJ.

The City desires to offer insured employees and their dependents an alternative plan with attractive benefits and premiums.

Specifically, the UF Health System has entered into a Provider Agreement with Innovative Healthware Services/ClaimsBridge (ClaimsBridge) to facilitate the administration of the High Performance Network option to be offered to COJ employees. That Agreement specifies that Integra Administrative Group (Integra) will serve as the Third Party Administrator. The Provider Agreement specifies that UF Health has an exclusive arrangement with these firms to provide the High Performance Network to the COJ employees. Through their contract with UF Health, Integra is contractually bound to assist the COJ in providing a high performance network for COJ employees.

We are requesting a one-year contract with four renewal options. Thank you for your consideration.

Attachments

UFHealth
UNIVERSITY OF FLORIDA HEALTH

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Exhibit 'A'

A. Background and Objective

The Jacksonville Mayor and City Council (City) clearly recognize the importance of UF Health Jacksonville and University of Florida faculty physicians (collectively, UF Health) to the Jacksonville community. The final report of the Special Committee on Utilizing UF Health as a Healthcare Delivery Option supported options to incent current and retired employees to use UF Health facilities and services. With the move on January 1, 2015, to self-funding, the City is now in a position to move forward on these initiatives. The City also recognizes the financial difficulties UF Health is facing as a result of recent events and the threat of diminished future funding from the federal and state governments.

The City currently spends approximately $88 million annually for group health care. Of that amount, approximately $6 million (6.8 percent) goes to UF Health through the existing City plans. The remainder goes to other hospital systems and health care providers in the area. As the Mayor noted, UF Health would benefit by increasing the number of commercially insured individuals using UF Health providers and facilities.

UF Health's objective is to provide the City of Jacksonville (City) a customizable health benefit solution that will maintain or reduce the City's medical benefits spend as compared to the City's existing plans, while increasing utilization of UF Health services by current and retired City employees.

B. Proposed Solution

The UF Health custom healthcare benefit solution for City employees is comprised of a custom High Performance Network in which employees choose physicians and facilities that are primarily comprised of the UF Health system ("High Performance Network" or "HPN"). UF Health has worked with Innovative Healthware Services, Inc. (IHS) and INTEGRA Administrative Group, Inc. (INTEGRA) in defining and assembling the elements necessary to provide this customizable health benefit solution for the City. The UF Health solution integrates the High Performance Network, the associated services, and the City's specified Health Plan Designs to support the City and its enrolled medical benefit members. The City as the owner of the Health Plan Designs will lead the effort in coordinating their specifications with the City's actuaries, the network administrator (IHS) and the TPA (INTEGRA).

The High Performance Network

UF Health is currently composed of more than 1,300 physicians, over 50 primary and specialty care practices and three medical campuses, including the new UF Health North on Max Leggett Parkway in North Jacksonville. UF Health providers will be supplemented with additional health care providers for services not provided within the UF Health system but required by the City to offer a complete panel of services to its members. The most notable of these additions are Wolfson Children's Hospital and Nemours Children's Specialty Care physicians. The provider contracts for services and fees for the above providers have already been established through IHS' recruiting and contracting services. Other providers may be added to the network if requested by the City, approved by UF Health and coordinated through IHS. **(See Attachment 1 – Cost Savings through Participation in the High Performance Network and Attachment 2- High Performance Network Evaluation by Actuaries)**

Overview of a Sample Custom Health Plan Design

The highlights of this customized offering include:

- $750 deductible for individuals and $1,500 deductible for families
- Out-of-pocket maximum of $2,500 for individuals and $5,000 for families
- Twenty percent coinsurance requirement for most services
- No coverage for out-of-network services, unless an emergency
- Emergency coverage nationally
- $10 copay for generic drug prescriptions, $40 copay for preferred brand drug prescriptions and $75 copay for non-preferred and specialty drug prescriptions

A more detailed description of the benefits can be found in the attached **Attachment 4 - Design Details and Attachment 5 - Sample Design Document.**

Administrative Services

Network administrative services include network design, recruiting, contracting, and ongoing provider/employer support. Additional services associated with the solution include medical claim acquisition and pre-adjudication processing services prior to delivery to the third party administrator, or TPA. All of the above services will be performed by IHS.

TPA services include claims adjudication and payment, pre-authorization, utilization review, large case management and appeals, as well as other City required services, such as pharmacy benefit management and stop-loss coverage as required by the City. TPA services will be performed by INTEGRA.

C. Cost Proposal

Administrative Services Fees:	Less than 1,000 EEs	1,000 or more EEs
HPN Access and Services Fee:	$12.00 PEPM	$10.00 PEPM
TPA Services Fee:	$18.50 PEPM	$16.50 PEPM
Total Services Fee:	$30.50 PEPM	$26.50 PEPM

Note:
EEs = Enrolled Employees
PEPM = Per Employee Per Month

Services Included in the above Fees:

- HPN Administration (Design, Recruiting, Contracting, Provider Directory, Claims Processing)
- Medical Plan Administration (Claim Adjudication, Claim Processing, EOB & COBRA administration)
- Prescription Drug Plan Administration–4D/Magellan or CVS Caremark
- Care Management: Utilization Review/Inpatient & Outpatient Pre-certification
- Stop Loss Coordination (specific/aggregate claims)

- Benefit Informatics Analytics & Reporting; HPS almost real time claim data
- I.D. cards with customized City Logo option; Card used for medical & prescriptions
- Web access to claims and eligibility information for employer and employee
- Claim and Vendor Payment and Banking – Utilize the bank of the City's choice; ACH preferred

Additional Service Options and Costs:

- Managing of out of network claims; auditing and review service to reduce plan costs through – fee of 25% of savings
- Dental and Vision Plan Administration (Optional) Fees provided upon request
- Optional Section 125 Flexible Spending Administration and Dependent Care with Visa Card
- Utilization Review, Large Case Management and Disease Management Services - $125.00 per hour
- Health Advocate – Wellness & Other Heath Related Services $1.50 PEPM
- Pre-cert and utilization fee $2.00 PEPM
- Claim recovery services for subrogation involving automobile accidents slip and fall injuries and other cases when another party or entity is responsible for payment
- Run-out administration Services – Three months of administrative fees for 12 months of processing
- Possible Printing and shipping costs (SPD's, enrollment materials) -- billed at cost
- Telemedicine $4.00 PEPM for -0- co-pay per call
- $3,000.00 set-up fee for configuration, testing and implementation of 834 interface.
- If applicable - FSA One Time Set-up fee of $1,250.00
- Fees are guaranteed for with a one year signed contract. Should any vendor fee increase during the plan year, the additional fees will be passed on to plan with a 30-day notice.
- Additional services may be quoted upon request

D. Summary of Benefits

The primary objective for UF Health to offer this custom healthcare benefit solution to City employees is to assist the UF Health system financially without increasing the City's group health expenses. This solution utilizing the High Performance Network as presented has the potential to achieve that goal assuming a sufficient number of City employees enroll. The increase in commercially insured members in the UF Health system could help alleviate some of the financial pressures threatening the Jacksonville campus. All of this can be accomplished through the adoption of the UF Health custom healthcare benefit solution using the High Performance Network, integrated with customized health plan designs and administrative services. Actuaries' review of the High Performance Network rates have estimated the medical spend reduction to range from 1% to 15% for comparable City health plan design offerings. **(See Attachment 2 – High Performance Network Evaluation by Actuaries)** The UF Health custom healthcare benefit solution Administrative cost may also contribute to the overall medical spend savings.

The benefits of the UF Health proposed solution using the High Performance Network to the City include:

- Lower and more stable costs over time
- Access to data regarding costs and utilization
- Improved outcomes through participation in a clinically integrated network of providers

- The potential for further cost reductions through an Accountable Care Organization[1] type arrangement in the future

The High Performance Network also has the potential to lower the City's costs over time. For example, because the rates paid to UF Health are indexed to Medicare rates, the costs paid to UF Health for services will increase at a much lower rate over time than costs for those same services in the general health care market. Thus, the High Performance Network has the effect of flattening out the cost curve over time, potentially saving the City significant money compared with the other plans offered by the City. **(See Attachment 1 – Cost Savings through Participation High Performance Network)**

Another benefit to the High Performance Network is that IHS will provide the City free access to all data regarding City money spent through the network. In contrast, the City's current plans limit access to data regarding how money is spent through the plans. Having access to this data allows IHS and the City's actuary to periodically analyze spending to identify costly trends and anomalies that may be addressed through design changes in some cases, thereby lowering the City's health care spend through the High Performance Network. **(See Attachment 2 – High Performance Network Evaluation by Actuaries)**

Finally, utilizing UF Health's clinically integrated network of providers provides the backbone for an accountable care organization in which lowered costs and improved health outcomes could be realized.

E. Implementation Plan, Status, and Estimated Completion

Network Recruitment and Implementation:

- Network Design and Analysis - COMPLETED
- Provider Recruitment Plan – Targeted Providers and Initial Rate Targets - COMPLETED
- Initial Network Provider Recruitment – COMPLETED
- Provider Directory Build - COMPLETED
- Claim Flow Front End Build - Acquisition through all Pre-adjudication Steps - COMPLETED
- In Network Claim Flow Connectivity – TPA services, Out of Network, Wrap, other. – COMPLETED

TPA and Other Administrative Services:

- Health Plan Design – To Be Determined (TBD) based on effective date.
- Stop Loss Contracting (if required) – TBD based on effective date.

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1 An accountable care organization is defined as delivery model that seeks to tie provider reimbursements to quality metrics and reductions in the total cost of care for an assigned population of patients.

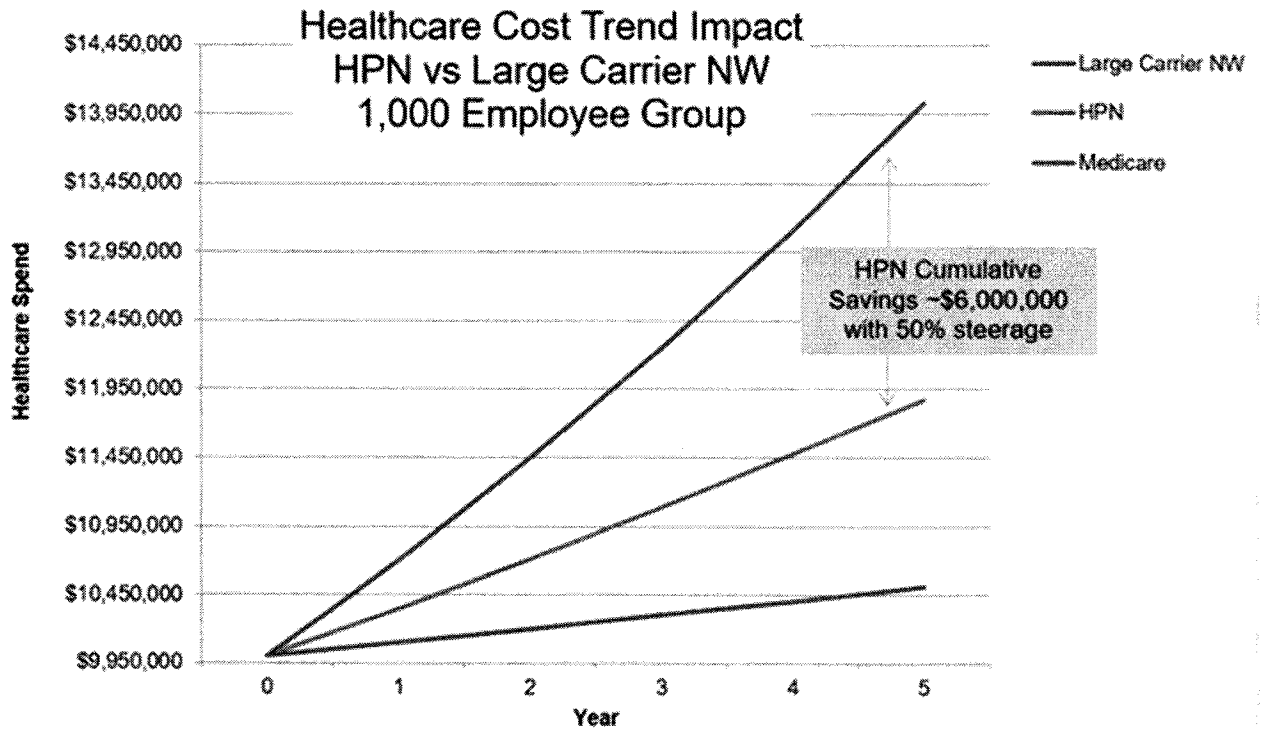
- Provider Payment (Banking) processes and procedures – TBD based on effective date.
- Implementation of additional TPA services – TBD based on effective date.
- Enrollment processes set up – Timing etc. – TBD based on effective date.
- ID Cards – TBD based on effective date.
- Open Enrollment – TBD based on effective date.

F. Attachments

Attachment 1 – Cost Savings through Participation in the High Performance Network - The High Performance Network Difference

Controlling the Inflationary Cost Trend

Two features that make the custom solution unique are Medicare-based rates and extraordinary access to rates and utilization data. The UF Health system has agreed to accept a percentage of Medicare rates for all of its services. Medicare-based rates offer several advantages. First, payment terms and conditions are generally understood by both the providers and the payers, thereby reducing contention. Second, Medicare allowable charges tend to change slowly as they are set by the federal government. As a result, the City can expect a lower inflation trend from the Medicare-based charges that have an inflation trend of approximately 1 percent per year compared with the medical inflation trend of 6 to 8 percent annually paid by other plans. Please see the graphical example at the end of this section for more details.



When compared with the typical large carrier network increases each year, the pricing in the High Performance Network trends at a significantly reduced increase in costs year over year. This can result, at 50% employee participation, in an approximate $6MM in savings over a 5 year span.

Savings through Custom Integration of Design and Effective Provider Rates

Under the typical plan, including the City's current high-deductible plan, the payer (the City) is allowed access only to certain health plan data. The City does not have access to rates paid to providers and is provided limited access to utilization data. As a result, the City is unable to fully analyze its health care

spending and, therefore, does not have the comprehensive claim data it needs to improve and refine its plan design over time. Under the custom solution, IHS will provide the City with access to comprehensive claims data, allowing the City to make informed decisions that are in the best interests of the City and its employees. IHS will work with the City and their actuarial consultant to analyze the data and help develop strategies that will improve health outcomes and lower costs over time.

Below is an example of inpatient cases and their estimated allowed amounts for the High Performance Network, versus current discounts at Memorial and Baptist Health Systems in the open/non-tiered PPO arrangement the City offers now as its primary plan. In addition, the City's payment to IHS includes stop-loss insurance coverage under the custom solution through Unimerica, a division of Optum/United Healthcare.

The High Performance Network pricing has no set threshold for high-cost cases. It relies on the same outlier provisions promulgated by Medicare, which is much more conservative from the payors standpoint, and provides a high level of predictability, as well as realizes the continued benefit of "case rate only" pricing. The net effect of this is an excellent hedge against so called "shock" cases which, in conjunction with the excellent rates for standard cases made a substantial difference in the favorable actuarial ratings for the City.

Example Inpatient charges and Allowed Amounts (net after discount)		Average Billed Charges			Allowed Amount		
		BCBSFL	BCBSFL	UF Health	BCBSFL	BCBSFL	UF Health
Base MS-DRG	Base MS-DRG Description	Memorial	Baptist		Memorial	Baptist	
066-065-064	Intracranial hemorrhage or cerebral infarction	$ 72,539	$ 49,811	$ 53,473	$ 25,389	$ 19,924	$ 14,307
192-191-190	Chronic obstructive pulmonary disease	$ 44,851	$ 26,860	$ 28,675	$ 15,698	$ 10,744	$ 10,727
247-246	Percutaneous cardiovascular proc w drug-eluting stent	$ 131,454	$ 78,229	$ 93,273	$ 46,009	$ 31,292	$ 22,082
293-292-291	Heart failure & shock	$ 56,916	$ 34,370	$ 31,137	$ 19,921	$ 13,748	$ 11,753
310-309-308	Cardiac arrhythmia & conduction disorders	$ 41,838	$ 26,918	$ 31,093	$ 14,643	$ 10,767	$ 9,952
379-378-377	G.I. hemorrhage	$ 64,740	$ 32,777	$ 35,877	$ 22,659	$ 13,111	$ 12,497
641-640	Misc disorders of nutrition,metabolism,fluids/electrolytes	$ 39,948	$ 22,205	$ 29,116	$ 13,982	$ 8,882	$ 10,508
684-683-682	Renal failure	$ 54,823	$ 32,328	$ 29,446	$ 19,188	$ 12,931	$ 12,185
690-689	Kidney & urinary tract infections	$ 48,947	$ 26,384	$ 27,446	$ 17,131	$ 10,554	$ 10,268
872-871	Septicemia or severe sepsis w/o MV 96+ hours	$ 98,549	$ 54,863	$ 55,521	$ 34,492	$ 21,945	$ 17,190

Additionally, the incremental savings is further amplified when the initial participants in the High Performance Network, and their positive experiences therein, induce others to join and the network grows relative to those participating in the City's current network offering.

Attachment 2 – High Performance Network Evaluation by Actuaries

A J Gallagher

The City's independent actuary, Arthur J. Gallagher, conducted an analysis of the contracts offered to the City by UF Health for this High Performance Network. Based on that analysis, the actuary predicts the UF Health allowable charges to the City fall somewhere between 1 percent lower (for inpatient and outpatient hospital costs, which tend to be the largest cost) than the current plan's pricing to 4 to 5 percent higher (for some professional services). The difference will depend on what type of employees will be more attracted to the High Performance Network and the type of services they use. For example, younger employees typically consume fewer health care services and therefore generate lower costs. The current high-deductible plan tends to attract younger and typically healthier employees. The actuary also noted the pricing is close enough that he was confident the City would not be negatively impacted financially by using the High Performance Network.

Optum Health

In addition to the City's actuary, the stop-loss carrier that contracted with IHS for this product conducted its own analysis of the proposed allowable charges. The actuary for Unimerica, a division of Optum/United Healthcare, predicts that the allowable charges offered under the High Performance Network will be 10 to 15 percent lower than those available through the City's current plan. In summary, both actuaries found the UF Health proposed allowable charges to be favorable and have the potential to offer the same or lower costs to the City.

Attachment 3 – Stop Loss Example

Stop-loss Insurance Coverage Proposal			
		Option 1	**Option 2**
Specific Deductible Amount		**$300,000**	**$350,000**
Specific Maximum		Unlimited	Unlimited
COMPOSITE	500	$35.95	$27.35
Total Lives/Annual Premium	500	$215,700.00	$164,100.00
Commission		0%	0%
Benefits Covered		MED/RX	MED/RX
Specific Contract Basis		12/12	12/12

CONDITIONS AND ASSUMPTIONS

~ Rates and factors will be finalized upon receipt and review of the Employer Disclosure Statement including claims exceeding or with the potential to exceed 50% of the Specific Deductible, those stated in the proposal, and any disabled participants. Information required on the disclosure may include any or all of the following: diagnosis, prognosis, current and proposed treatment plans, and current status of the claimant and total claim amounts paid to date. The Employer Disclosure Statement will be accepted no sooner than 45 days prior to the effective date. Any inaccuracy in the data submitted for disclosure or failure to disclose any information can change the terms, conditions, rates or factors of this proposal or can void the proposal or coverage.

~ This proposal is contingent upon receipt and review of the census with the final enrollment in the high performance network ("HPN"). If enrollment exceeds 500 employees, we are open to renegotiation of the rates with the higher enrollment counts.

~ This proposal is contingent upon receipt and review of updated diagnosis, paid, and pended claims, Medical and Rx, for the participants which enroll in the HPN, including claims in the current or next reporting which could reach 50% of the proposed specific deductible. Reports are needed through October 31, 2016.

~ This proposal is contingent upon receipt and review of large claim reporting for the entire group for the reporting period 1/1/2015 through 12/31/2015.

~ This proposal is contingent upon receipt and review of the final Plan Document including a full description of available coverage for emergency services, and description of the review/negotiation process for any out of network services/charges.

~ Other compensation or bonuses may be indirectly reflected in this quote. Contact your broker/agent if you have any questions relating to their compensation for this proposal.

~ Proposed (in network benefits only with $750 Deductible, 20% coinsurance, $2,500 OOP, $25 PCP OV, and Rx $10/$40/$75) plan has been quoted.

~ Network: HPN (Coverage in Network Only). Case Manager: Required. TPA: INTEGRA, and 4D Pharmacy.

~ This proposal assumes there is pre-notification and/or pre-certification of inpatient hospitalizations. If this is not the case, the above specific rates will be increased by 5.3%

~ Retirees ARE NOT covered for medical benefits.

~ ** Expected number of employees electing the HPN is between 300 and 1,000. The rates shown above are based on enrollment of 500 employees.

~ The minimum annual Specific Stop Loss premium is $164,100.

~ Required: Employer's agent is licensed in the state where the employer is located.

~ This document may contain Protected Health Information (PHI) and should only be shared with individuals designated to view such information per HIPAA regulations.

~ This proposal includes, at no additional cost, the IRO Extended Liability Endorsement which provides a 12-month extension of coverage for any paid claim that is denied and subsequently overturned by an IRO upon appeal.

~ Specific Accommodation Reimbursement is available at no additional cost.

~This Proposal is not binding. Any binding agreements as to the subject matter of this proposal shall only be embodied in a duly executed agreement among the parties.

Attachment 4 – Design Details

Customizing the Current High Deductible Plan

As the employer self-insuring its employees, the City is the responsible party for the specification and implementation of its Health Plan. Using the City's actuaries, the Network Administrator (IHS) and the designated TPA (INTEGRA) it can create the customized Health Plans to encourage patients to utilize providers in the High Performance Network thereby controlling medical benefits costs (and increased utilization of UF Health services and providers). The following is a discussion of how this customization might be done.

The current high-deductible plan is used by 626 employees and is generally more popular with younger, healthier employees who expect to use few health care services. The plan is attractive to this population in part because the employee pays no premiums. Thus, if an employee does not expect to use many health care services, the relatively high out-of-pocket costs under this plan may not be a concern.

However, the potential out-of-pocket costs that result from plan design could be reduced if the City wants to make the High Performance Network more attractive to a wider group of City employees. For example, one option is to eliminate the coinsurance requirement on the medical services and require copays only. This approach takes the uncertainty out of the equation for the employee as they know their costs would be limited to the specified copayments. Another option is to reduce or eliminate the deductibles included in the current plan design. Younger and lower-wage employees tend to be very sensitive to out-of-pocket medical costs, and the prospect of paying the first $750 out-of-pocket tends to discourage the use of medical services and diminish the value of the benefit for the employees.

Based on the City's preference, the City's actuarial consultant will cost out these options to determine the effect on the City's employee benefit budget.

Attachment 5 – Summary Design Document