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Health Plan Administrator, Network and Pharmacy Benefit Manager (PBM) RFP Evaluation and Selection Process

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BACKGROUND

The City of Milwaukee currently provides health insurance and prescription drug benefits to City employees and retirees. Health insurance benefits are administered by UnitedHealthcare and the City offers three plans to employees (PPO, EPO and HDHP) and two plans to retirees (PPO and EPO). Pharmacy benefits are carved out and provided by OptumRx the City's Pharmacy Benefit Manager (PBM). Both entities are fully owned subsidiaries of UnitedHealth Group. Contracts for both UnitedHealthcare and OptumRx expire on December 31, 2022.

The City has been self-funded with UHC since 2012. Periodic RFP's which have been conducted over the past decade and UHC has remained the most competitive and price efficient vendor offering comprehensive network coverage at deep discounts. OptumRx has been the City's PBM since 2015 on a carved out basis.

The City worked with Gallagher Benefits Services to execute a Request for Proposal (RFP) process for both health plan administrator services and PBM services including carved in and carved out options. The City was seeking proposals from experienced administrators that have a record of proven success to ensure affordable health insurance and pharmacy benefits with robust network access and pharmacy formulary offerings.

The Health Plan Administrator and Pharmacy Benefit Manager (PBM) RFP focused on the following considerations and evaluation metrics of greatest importance:

- Provide claims payment administration and customer services for all benefits-eligible City of Milwaukee employees, retirees and their eligible dependents.
- Provide eligible members and dependents with high quality service and care management programs to reduce costs and improve health outcomes.
- Provide an extensive provider network to eligible members and dependents; including nationwide coverage options.
- Administer pharmacy claims for the Medicare eligible population (EGWP).
- Minimize overall plan costs for the City of Milwaukee through competitive provider contracts and condition management programs.
- Provide ease of administration and superior administrative services for the City of Milwaukee.
- Process eligibility records accurately, efficiently, and timely and provide accurate billing on a timely basis.
- Achieve effective and efficient claims management expertise and ensure member needs and concerns are met in a timely manner.

- Provide comprehensive education, communication and member resources at no additional cost.
- Provide timely, responsive customer service to the plan members and the City of Milwaukee.
- Review marketplace leaders including vendors who have the ability to handle large customer accounts preferably with public sector experience.
- Multi-year financial terms and service level guarantees with fees at risk for underperformance.
- Minimal provider, network and pharmacy formulary disruption to employees, retirees and family members.
- Prepare customized, useful and actionable utilization reporting that identify gaps in care and year over year trends to drive decision making.
- Attend onsite fall open enrollment fairs at numerous locations in the City of Milwaukee and have a different enrollment process or virtual options as necessary.

The City staff members of the review and selection committee included:

- Renee Joos, Department of Employee Relations, Benefits
- Jennifer Zillmer, Department of Employee Relations, Benefits
- Terry Siddiqui, Employees' Retirement System
- Nicole Fleck, Department of Employee Relations, Labor & Compliance
- Eric Pearson, City of Milwaukee Budget Office

Assisting the City team were the following Arthur J. Gallagher associates:

- Scott Schultz, Area Vice President
- Sue Meyers, Senior Client Manager
- Dawn Seifert, Client Service Leader
- Brian Lemoine, Area Vice President (Pharmacy Consulting)
- Bryan Hartman, Pharmacy Consultant

EVALUATION PROCESS HEALTH PLAN ADMINISTRATOR & NETWORK

The City and Gallagher Benefits Services collaboratively drafted a best in class Request for Proposal which was sent to the below plan administrators and included the aforementioned critical selection factors. The RFP clearly indicated all of the City's requirements, contractual terms, timeline and responsibilities. The following table provides a summary of the bidders and their response.

Health Plan Administrator & Network	Status
Aetna	Declined
Anthem	Declined
Centivo	Quoted
Cigna	Declined
Humana	Declined
Prairie States	Quoted
Quartz	Declined
WPS	Declined
UnitedHealthcare (incumbent)	Quoted

Quite a few administrators declined to respond due to the following reasons. First, carriers are keenly aware of their proprietary provider network discounts in all geographic locations and know whether their discounts are competitive. Second, no two carrier networks align perfectly and some networks would have resulted in more significant member disruption by losing some health care providers. Thus, many health plan administrators were unable to provide better discounts and network access than the incumbent causing the majority of carriers to decline to quote.

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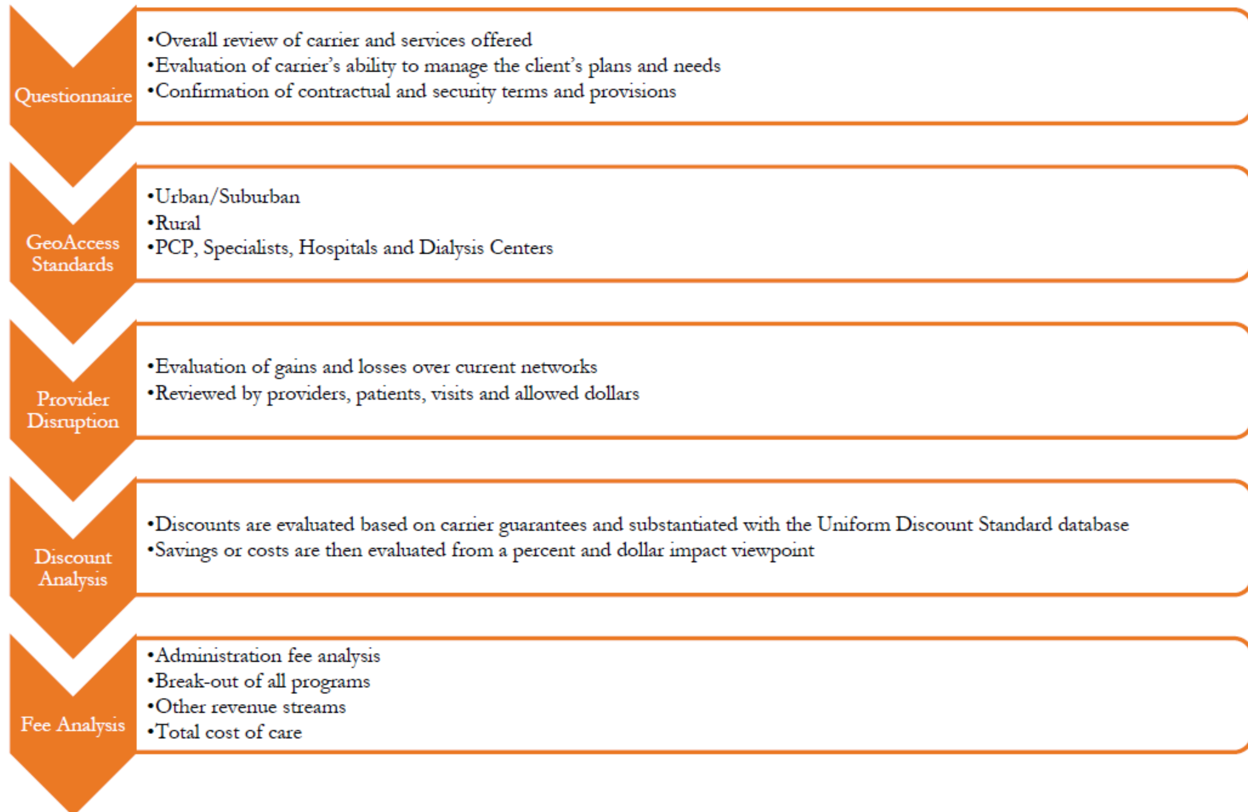
RFP Methodology



Based on the responses received, Gallagher presented the key findings to the City's review and selection committee. The review and selection committee ranked each finalist on the following key areas:

- Quantitative (Cost)
- Requested plan design and features (including network coverage)
- Technology, administration and service
- Marketing, communications and enrollment
- Interviews or References

When reviewing health plan administrators, network discounts and network utilization by plan participants have the biggest impact on the cost of the City's health plans.

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Administrative expenses are less than 5% of the total health plan cost, with the biggest financial advantage coming from network discounts and access.

Network Discount Analysis

The financial results are validated by using Gallagher's UDS (Uniform Data System), which measures carrier network discounts independent of the carrier's own repricing methodology. Gallagher's data warehouse is able to measure provider discounts based on geographic averages and ascertain which carrier networks will achieve the deepest discount in the zip codes where the City of Milwaukee membership seeks medical services.

- UHC maintains a competitive advantage over the two quoting carriers
  - UHC's network discount was 55.1%
  - Centivo's network discount was 54.6%
  - Prairie States network discount was 49.5%

Network Discounts - Medical Only

Category	UHC	Centivo	Prairie States
Total Projected Enrollment	8,514	8,514	8,514
Total Eligible Medical Charges	$272,635,000	$272,635,000	$272,635,000
Discounted Medical Claims	$150,283,000	$148,985,005	$134,954,325
Total Allowed Medical Claims	**$122,352,000**	**$123,649,995**	**$137,680,675**
Medical Claim Discount %	**55.1%**	**54.6%**	**49.5%**

Network Access

There would have been significant network disruption with Centivo and Prairie States as shown below by the loss of network providers to the City's health plan members.

- UHC: 0%
- Centivo: 30%
- Prairie States: 9%

Admin Fee Comparison

UnitedHealthcare also lowered the administration fees over the current costs and guaranteed the rates for five years. While the UHC administrative fees are not the lowest of the three bids, the provider discounts from UHC far outweigh the difference in administration costs.

- UHC: $45.00
- Centivo: $44.00
- Prairie States: $43.65

Best and Final Offer Negotiations with UHC

Guarantees for the next 5 year duration of contract

- Lower administration fee guaranteed for contract duration
- Increased Wellness Credit from $10,000 to $30,000 annually
- Agreed to hold Onsite Nurse Liaison fee flat
- Agreed to hold 2nd MD Second Opinion program fee flat
- Increased fees at risk for Performance Guarantees to $250,000

HEALTH PLAN ADMINISTRATOR & NETWORK RECOMMENDATION

After a comprehensive and thorough consideration of all key factors, the City's review and selection committee in partnership with Gallagher Benefits Services recommends the City enter into a contract with UnitedHealthcare effective January 1, 2023.

The primary reasons supporting the UnitedHealthcare recommendation are:

- Most competitive network and provider discounts
- No provider disruption to employees, retirees and family members
- Improved and lower administration fee with a 5 year rate guarantee
- Excellent account service for the City with dedicated and consistent account managers
- Excellent customer service and support for City members enrolled in the plan
- Enhanced financial commitment to The City (mentioned above)
    - Increased Wellness Credit and Performance Guarantee
    - No increases to fees for the Onsite Nurse Liaison and 2nd MD Second Opinion program

EVALUATION Pharmacy Benefit Manager (PBM)

The City and Gallagher Benefits Services collaboratively drafted a Request for Proposal (RFP) for a PBM which was sent to the below firms and included the aforementioned critical selection factors. The RFP clearly indicated all of the City's requirements, contractual terms, timeline and responsibilities. The following table provides a summary of the bidders and their response.

Pharmacy Benefit Manager	Status
CVS	Quoted
EmpiRx	Declined
Express Scripts	Quoted
Navitus	Quoted
OptumRx (incumbent)	Quoted
UHC (Carved In)	Quoted

Based on the responses received, Gallagher presented the key findings to the City's review and selection committee.

Financial Analysis

A comprehensive contract review and analysis of guarantees was performed. The analysis of guarantees was conducted on a gross cost basis (including both plan and member cost share). A baseline was established based on the contract that is currently in place. Proposals were evaluated and projections were based on minimum discounts and maximum dispensing fees, and do not reflect potential over performance or under performance against those guarantees. Rebates were based on minimum guarantees per brand claim, and do not reflect potential over performance or under performance against those guarantees. Rebate values were estimated for the year they are earned, but are typically paid in lag. Claims and costs were trended for a 3 year period from 01/01/2023 to 12/31/2025.

From the initial submission, four finalists were selected, interviews were conducted and each finalist was asked to submit a Best and Final Offer (BAFO). Below is a summary of the guarantees provided by each finalist.

3-Year Projection
OptumRx (Incumbent): 29% savings ($29M)
CVS: 26% savings ($24M)
Navitus: 17% savings ($16M)
UHC: 23% savings ($22M)

The financial figures represent the expected impact of the deeper discounts and rebates associated with the improved guarantees offered by each PBM; thus rendering "savings" when compared to the current contractual discount and rebate guarantees.

Allowances and Service Guarantees

Each PBM offered fees at risk for performance and general administration fee credits/allowances that could be used to defer additional costs associated with the City's pharmacy plan management.

Member Formulary Disruption

Based on the provided claims file each PBM was asked to provide a formulary disruption should they be selected as the winning PBM. The primary area of focus is the degree of formulary disruption that occurs for individuals on maintenance medications.

Below are the results of the formulary disruptions for each finalist. A shift from tier 3 to tier 2 is captured as a positive, while a shift from tier 2 to tier 3 is represented as a negative for members. The number of members on a medication that would be excluded under the new formulary are listed under "Exclusions." Members who are on a medication that is excluded will have access to a similar medication, just not the exact one they are currently utilizing. Should members want to stay on their current medication, there is an appeals process that they can undertake.

PBM	Positive	Negative	Exclusions
CVS	105	89	1,060
Navitus	33	32	923
UHC	98	371	493

Retail Network Disruption

Each PBM finalist provided the number of pharmacies that would no longer be included in the City's network as shown in the results below:

CVS: 6
Navitus: 13
UHC: 6

PBM RECOMMENDATION

After a comprehensive and thorough consideration of all key factors, the City's review and selection committee in partnership with Gallagher Benefits Services collectively recommends the City enter into a PBM contract with UnitedHealthcare effective January 1, 2023. This effectively means moving the contract from one UnitedHealth Group subsidiary (Optum Rx) to another (UHC). OptumRx through UHC would now be considered a carved-in pharmacy benefit. This allows the City to work with its established UHC account team for both medical and pharmacy benefits. Not only will this provide the City and its members with higher quality account and customer service, but it also allows for more comprehensive management of pharmacy and healthcare claims to close gaps in care for members, encourage more appropriate utilization of the benefits and mitigate overall healthcare spend.

The primary reasons supporting the UnitedHealthcare recommendation are:

- 23% improvement in guarantees over 3 year contract
- Enhanced contract terms and conditions
- Relative to others, the bulk of the formulary disruption deals with changes in member copays – there is less disruption being generated as a result of a member's medication being "excluded" under the PBM's formulary
- Minimal disruption to members with Retail Pharmacies
- UHC will provide excellent account management and cost/utilization management services and utilize OptumRx for its administrative and contracting capabilities (Carved In).
- Improved service along with cost and care management results that can be assessed by having one entity (UHC) contracted for both the medical and PBM services (Carved In)
- Advantages of Carved In pharmacy:
    - The City has a single point of contact for service and plan administration
    - Faster and easier access to comprehensive claims data
    - The UHC clinical team will have broader and more robust access to claims information to better manage member care gaps as well as the member and City's overall health care spend.