City of Milwaukee

Request for Proposal –
HMO Plans

Prepared by:

Willis of Wisconsin, Inc.
One Plaza East, Suite 1400
330 East Kilbourn Avenue
Milwaukee, WI 53202-3195
(414) 271-9800

I. GENERAL INFORMATION

BACKGROUND

The City of Milwaukee has approximately 7,200 employees and retirees who are enrolled in HMO coverage.

The City work force is organized into 19 bargaining units, each of which negotiates a collective bargaining agreement with the City. In addition, there are approximately 1,150 unrepresented employees of which approximately 950 employees are categorized as management.

The City offers all employees an opportunity to select one of multiple medical plans before the start of each year. The City has a self-insured a fee-for-service medical plan administered by WPS in which roughly 1,700 employees and 3,000 of 5,000 retirees are enrolled. The remainder are enrolled in one of two fully insured HMOs, CompcareBlue Traditional HMO or CompcareBlue Aurora Family Network HMO.

Prior to 2003, the City offered three HMOs from three different companies. The two HMOs offered in 2003 were chosen because they provided the City the best combination of cost and access of proposals received.

The City is committed to being able to offer choice to employees as well as it must offer the most cost effective plans available. As a result, the City is requesting proposals from the HMOs for the 24-month period of January 1, 2004 through December 31, 2005. The fee-for-service plan is not being evaluated at this time. However, in 2004 or 2005 the City might offer a self insured, narrow network fee-for-service plan through WPS.

Willis and GBG, Inc. have been retained to help develop this RFP and to assist with the evaluation of responses. The finalists will be determined according to several factors:

1. Low cost compared to other bidders;
2. Ability to offer both broad and narrow networks;
3. Ability to deliver quality services;
4. Completeness of written responses to this request; and
5. Confirmation of full compliance with the attached City contract.

The City contributes 100% of the lowest single and lowest family HMO premium cost. For 2003, this contribution, the City share, will be no more than $307.10 Single or $838.38 Family toward the cost of the two HMOs. Any excess over these amounts, employee Share, is taken as a payroll deduction from the employee. Benefits for most employees are determined through collective bargained agreements. It is not anticipated that the HMO or indemnity medical benefits will change during the time period for which quotes are sought.

INTENT

The City is seeking a stable business relationship with its HMOs. The actual number selected will be based on how well the HMOs perform against the selection criteria.

The City is committed to maximizing the value of its medical care expenditures on behalf of its employees through a managed competition model. The goal is to continue offering the current high level of benefits in a "managed care environment." Critical selection factors will include how well your organization can demonstrate the ability to:

- Manage utilization and expenses,
- Enhance the quality/efficiency of care,
- Provide convenient access for City plan members, and
- Supply data reports to support future rate changes and demonstrate the effectiveness of utilization management.
- Supply appropriate claim utilization data to help the City determine the factors that are driving its cost.

DUE DATE FOR PROPOSAL

To be considered by the City, 10 copies of your proposal must be received no later than Thursday, May 30, 2003 by 4:30 p.m. Proposal should be sent or delivered to:

Mr. Michael J. Brady, Employee Benefits Director
Department of Employee Relations, Employee Benefits Division
Room 701, City Hall, 200 East Wells Street
Milwaukee, Wisconsin 53202-3554

Project Timetable:

Distribution of RFP	May 2
Responses Due to the City	May 30
Analysis of Responses	May 31- June 9
Selection of Finalists, Interview, and Discussion of Contract Terms	June 10 – July 8
Recommendation at Finance and Personnel Committee Meeting	July 9
Recommendation at Common Council Meeting	July 15
Notification of Final Decision	July 15
Program Implementation	August 1

Proposals received after the due date will not be considered and will be returned unopened.

BENEFIT CONSIDERATIONS

You must duplicate the plan of benefits that the City offers today. Please refer to the City "Blue Book" included with this RFP.

While you must duplicate the benefits, we are asking to you to provide quotes on both broad and narrow network plans, if you offer them. More explanation is found later in this RFP.

If there are benefit enhancements that could be made to your plan that would be cost neutral and would make the plan better in your opinion, please include a description of your suggested changes.

Census information included with this RFP shows the number of participants in each option. Claim reports from 2002 can be found in the Appendix.

DEVIATIONS

It is recognized that the HMO may not be able to respond to every detail of this RFP. It is not the intent to cause disqualification of an otherwise favorable proposal on the basis of a technicality. Therefore, if you are substantially able to meet the requirements of this RFP, you are requested to submit your proposal detailing your deviations in the Statement of Compliance. However, if a proposal is not responsive to the RFP, the City reserves the right to reject that proposal.

CONTRACT AND CONTRACT DATES

The Appendices contain the agreement the City expects each HMO to agree to and sign, in addition to the standard contract each HMO utilizes. Bidders are asked to carefully review the document and address any concerns/deviations in the Statement of Compliance. The City will not make substantial changes to the contract.

The contract will be for the period January 1, 2004 through December 31, 2005.

At any time when changes in the plan of benefits or servicing requirements are needed, such changes shall be made in writing and incorporated into the contract. Under no circumstances shall the HMO change the benefit plan, interpretation of benefit provisions, legislative interpretations or any part of the agreement without written request to and subsequent written approval of the City.

INSURANCE REQUIREMENTS

Please confirm you maintain the following:

- Professional liability insuring against vendor's errors or omissions in the performance of the services outlined in this RFP in an amount of not less than $2,000,000 each occurrence and in the aggregate.
- Workers Compensation insurance and employers' liability insurance with a limit of not less than $1,000,000.
- Commercial general liability insurance with limits of not less than $1,000,000 per occurrence and $2,000,000 in the aggregate.
- Coverage against theft or other misappropriation of funds by what ever means for the vendor, its directors, officers, partners, shareholders, employees or agents.

Said professional liability and commercial general liability all shall contain endorsements naming the City as an additional insured. All policies required there under shall be written by licensed insurers with A. M. Best ratings of at least A-VII.

In the event the vendor will utilize subcontractors to perform any of the services required in this RFP, the vendor shall require that the sub contractor comply with the above insurance requirements.

WILLIS REMUNERATION

Please delete all commissions from your quoted premium rates or, if no rate credit is given by foregoing commissions, state the amounts which would be payable to Willis as agent of record.

Quoted rates must include all costs. Clearly indicate whether your rates remain the same whether commission is paid to Willis or not.

RIGHT TO AUDIT

The City reserves the right to audit the financial and non-financial records of the HMO and its providers as they relate to the medical plans whenever the City deems appropriate. This may include on-site clinical audits of selected providers. Such audits may be performed by City personnel or by auditors selected by the city.

CLAIM RECORD RETENTION

The insurance company will be required to maintain all claim records for seven years from the date a claim is closed.

In the event of termination, the selected insurer must agree to transfer to the City of Milwaukee or another party as designated by the City, within thirty days of notification, all required data and records necessary to administer the plan. This data would include but not be limited to the following:

- List of covered employees
- List information regarding historical claim payments
- Medical records

ADDITIONAL INFORMATION

Any additional questions regarding these specifications may be directed to:

Mr. Michael J. Brady, Employee Benefits Director
Department of Employee Relations, Employee Benefits Division
Room 701, City Hall, 200 East Wells Street
Milwaukee, Wisconsin 53202-3560

Phone: (414) 286-2317
Fax: (414) 286-2106
E-mail: mbrady@milwaukee.gov

If selected, you will prepare the contracts, certificate of insurance booklets, necessary administrative forms, enrollment forms, summary plan descriptions and other materials as quickly as possible. The successful insurer will be expected to bear the cost of installation of appropriate administrative systems, billing, preparing and producing contracts, certificates, administrative manuals, and enrollment forms, maintaining and determining eligibility information, and communicating with employees.

Enrollment materials will be distributed in October 2003 for the year 2004 enrollment. Vendors are expected to bear a proportionate cost of the preparation and mailing of the City's open enrollment materials.

NON - DISCRIMINATION REQUIREMENTS

The City is committed to affirmative action in accordance with State and Federal law and regulations providing for equal employment opportunity. The City will refuse to contract with any firm that has not evidenced its own commitment as an equal

opportunity employer through the development of an affirmative action policy. The respondent agrees to provide such evidence to the City upon request.

Prior to contracting, the selected insurance carrier will be required to certify compliance with the following:

I. In all hiring or employment made possible by or resulting from this agreement, there:

A. Will not be any discrimination against any employee or applicant for employment because of age, handicap, marital status, race, color, sexual orientation, religion, sex, national origin, ancestry, or lawful sources of income; and

B. Affirmative action will be taken to ensure that applicants are employed and that employees are treated during employment without regard to their age, handicap, marital status, race, color, religion, sexual orientation, sex, national origin, ancestry, or lawful sources of income.

This requirement shall apply to but not be limited to the following:

A. Employment, upgrading, demotion or transfer, recruitment or recruitment advertising, lay-off or termination, rates of pay or other forms of compensation, and selection for training including apprenticeship.
B. There shall be posted in conspicuous places available to employees and applicants for employment, notices required to be provided by federal or state agencies involved setting forth the provisions of the clause.

C. All solicitations or advertisements for employees shall state that all qualified applicants will receive consideration for employment without regard to age, handicap, marital status, race, color, religion, sexual orientation, sex, national origin, ancestry, or lawful sources of income.

II. The plan agrees that they will comply with applicable requirements of the Americans with Disability Act of 1990. 42 U.S.C. 12102, etc. seq.

You must agree to cause the foregoing provisions to be inserted in all subcontracts, if any, for any work covered by this agreement so that such provisions shall be binding upon each subcontractor, provided that the foregoing provisions shall not apply to contracts or subcontracts for standard commercial supplies or raw materials.

EVALUATION PROCESS

Willis and GBG, Inc. are assisting the City with this RFP. A final recommendation and selection will be made by the following process.

The City has identified a project selection team. This team, with the support of Willis, will be responsible for the evaluation of vendors responding to this RFP. The analysis and selection will adhere to the following steps:

- Each member of the evaluation team will review and score the written responses to the RFP according to a predetermined scoring tool.

- Willis will analyze the financial terms and provide a summary of the qualitative aspects of the RFP.

- Willis will tabulate scores to the written responses to the RFP.

- The financial terms of your response will be evaluated by a process where the lowest vendor overall financially will receive the highest possible score. Scores for the remaining vendors will be determined utilizing the following formula:

  Score = (number responding x [lowest cost] \ vendor cost)

- Based on a composite evaluation of the financial terms and the project team's evaluation of the written responses to this RFP finalists will be selected.

- Finalists may be interviewed and/or have their operations toured. During these tours, finalists will be asked a consistent set of questions. Each member of the evaluation team will independently score response to these questions.

- A final recommendation and selection will be based on the weighted scores of the evaluation team with respect to the following:

  - ⇨ Scores regarding written responses to the proposal
  - ⇨ Scores regarding financial response
  - ⇨ Scores regarding finalist interviews

During the entire process Willis will provide technical support, as well as tabulation of the responses and assistance in drafting a recommendation to the City Common Council. The City Common Council reserves the final right to contract with any or none of the respondents.

II. QUESTIONNAIRE

To reduce the work needed to respond to this RFP, please refer to your response to the questionnaire from the RFP in 1998 from Benecorp, Inc. and your response to the RFP in 2002. Where you think there would be a meaningful change in your response today, please provide the question, your prior response and your new response. If you need a copy of your prior response please contact Michael Brady.

Also, please respond to the New Questions found on the next page.

NEW QUESTIONS

1. Despite efforts to contain health care costs they continue to rise. Please explain why you think costs are rising and describe the steps you have taken, and plan to take, to better manage costs.

2. Please describe the steps you have taken, and plan to take, to take advantage of technology to communicate with and educate plan participants.

3. Please describe your customer service capabilities and why you believe they are superior.

4. Please provide examples of your standard data reports, as well as describe your ability to provide meaningful utilization data, sufficiently privacy-protected, in an electronic format.

5. Please describe why your plan is superior to others.

6. Please provide a copy of your most recent financial statement.

7. Please describe current rates and future renewal rates will be calculated, including whether the rates are based solely on the City's experience, what the loss ratio for the City's plan has been, the expense and profit loads in the rates as well as any other pertinent information.

8. If there are benefit enhancement that could be made to your plan that would be cost neutral and would make the plan better in your opinion, please include a description of your suggested changes.

9. We ask that you also provide a quotation on more cost effective, narrower network plan in combination with a broader network plan. The benefits must, however, be identical in both plans and match current benefits. Please include provider directories for each plan.

10. Are you HIPAA compliant? Please describe in detail.

11. Are your systems capable of transferring information to or from PeopleSoft benefits electronically.

STATEMENT OF COMPLIANCE

Please submit as a part of your proposal the following statement:

> We hereby acknowledge receipt of the RFP for HMO Plans for the City of Milwaukee. We have reviewed the City's required agreement (as included with the RFP), report formats and questionnaires and we certify that our proposal conforms to this RFP and that we can agree to the City's agreement except as detailed below.

Organization	Signature
Date	Title

III. Rates

We ask that you provide rate quotes on the following bases. Rates should be quoted for the periods 1/1/04-12/31/04 and 1/1/05-12/31/05.

1. You offer broad and narrow network HMO plans and these are the only HMOs offered to City employees.
2. You offer broad and narrow network HMO plans and the City offers another HMO (broad/narrow or only network only).
3. You offer broad and narrow network HMO plans and the City offers two other HMOs (broad/narrow or only network only).

Please complete a rate sheet on the next page for each combination that you quote.

If you have any restrictions on your rates regarding the City changing its contribution design during the contract period, please describe, including the cost to lift any restrictions.

In the past, rates between HMOs have varied significantly across tiers. For example, the single rate of one HMO is higher than another HMO, but its Medicare rate is lower. To correct this problem, we are asking that you please quote your rates with the following relativities, which are based on the current rate structure. If you cannot price your rates this way, please provide your reasons.

Rate	Rate Relativity
Active Rates	
Single	100.0%
Family	273.0%
Retiree Rates	
Single without Medicare	100.0%
Family without Medicare	273.0%
One with Medicare	78.7%
Two with Medicare	157.4%
One with Medicare & One without Medicare	178.7%
One with Medicare, One without Medicare	251.7%
& Dependent children	
Two with Medicare & Dependent children	230.4%
One without Medicare & Dependent children	273.0%
One with Medicare & Dependent children	251.7%

Rates

Please complete a rate chart for each HMO plan you will offer and state whether it can be offered with another plan.

City of Milwaukee
HMO Rates

Plan Description _____

Effective Period of Rates_____

Rate	Broad Network	Narrow Network
Active Rates		
Single		
Family		
Retiree Rates		
Single without Medicare		
Family without Medicare		
One with Medicare		
Two with Medicare		
One with Medicare & One without Medicare		
One with Medicare, One without Medicare & Dependent children		
Two with Medicare & Dependent children		
One without Medicare & Dependent children		
One with Medicare & Dependent children		

"With Medicare" means having both parts of Medicare, Hospital (Part A) and Medical (Part B)

APPENDICES

- Census – Attached file HEALTH_CENSUS.xls
  - From City of Milwauke Census (includes postal zip code; birthdate; bargaining unit; plan type/health; plan selected of three BAS basic, CHP CompcareBlue Traditional HMO, or FHP CompcareBlue Aurora Family Network HMO; coverage code 1=single, 4=family, and coverage election E) (excel doc)
  - From CompcareBlue, Claims data, 1/1/2003 to 3/31/2003 (pdf doc.)
  - From Humana, Claims data, 1/1/2002 to 12/31/2002 (excel doc.)
- Benefit Plan Description – Attached file Blue Book.pdf
- 2003 Rates and Employee Contributions – Attached file 2002 Rate Chart, one page word doc
- Agreement – Attached file HMO Agreement.doc (word doc.)
- A retiree census in hard copy (over 100 pages) is available; contact Mike Brady if you need a copy