

# City of Appleton

## Strategic Benefit Planning – Executive Summary

June 2, 2016

On May 19, 2015 Associated Financial Group presented the results of a health plan marketing project to key City Human Resource and Finance personnel. Following is a summary of the Request for Proposal (RFP) and recommendation.

The RFP was directed toward Third Party Administrators with the intent to continue self-funding the health plan. The carriers that were evaluated include the incumbent, UnitedHealthcare, Anthem, Humana, Cypress Benefit Administrators/HPS and Network Health Plan. All five administrators were asked to propose a full administrative contract, an analysis of City of Appleton claim files for re-pricing to determine discount opportunities, provider panel matches, and a prescription drug proposal. In addition, each was asked to provide any value-added services such as wellness grants, funding for onsite clinic services, discounted biometric and health risk assessments, wellness coaching, etc.

Each third party administrator was selected because of the unique features they offer to their clients. Below are key points of consideration for each vendor:

- Network Health Plan
  - NHP is relatively new to the self-funded methodology. They have shown significant growth over the past 18 months making them a viable candidate. The administrative offer was very competitive and compared favorably to the incumbent, UHC's, final offer. NHP's administrative offer included both an HMO and POS product. The network match was reasonable but does not include Aurora or Madison tertiary providers. The wellness offer was a "plug and play" program, Millennium, with an added monthly cost per employee to participate based on wellness rewards in the form of gift cards which would be funded by the City.
- Humana
  - The City contracted with Humana before the switch was made to UHC several years ago. The administrative costs and services were comparable to the UHC final offer. The pricing and provider match were relatively close. Humana puts



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great emphasis on its wellness program known as Vitality. Vitality does come with an extra cost for administration and the City is responsible for rewards paid out to participants.

- Cypress/HPS
  - Cypress is one of the largest independent administrators not owned by an insurance company. They are Appleton based, flexible and administratively price competitive. They use HPS, another local company, for access to provider panel discounts. HPS is unique in that it acts as an intermediary for its members by paying the claims owed by the City and the financial responsibility of each plan participant to the providers for deductible and coinsurance expenses. HPS provides a Super Explanation of Benefits (EOB) that looks like a charge card statement and then collects on the bills owed by your plan participants as a sole source financial intermediary. Although Cypress is seen as a small to mid-size group vendor, they do have several large employers.
- Anthem Blue Cross and Blue Shield
  - Anthem is a large national carrier. Their administrative offer is significantly higher than any other vendor. They tend to be very aggressive on stop loss pricing which may bring them in line with the other quotes, but it is premature to secure stop loss quotes for a January effective date. Anthem offered a unique approach using a limited panel (About Health: Theda Care, Aurora, Mayo Clinic, Marshfield, etc.) known as an Accountable Care Organization. Affinity would not be included in the limited panel. Anthem was willing to offer both their statewide network, including a majority of all key local and state providers including Affinity, alongside the limited panel and allow employees to choose the network that works best for their families. Anthem was also willing to offer support for onsite clinic staffing and wellness programs. They are most effective as a packaged proposal including administration, prescription services, stop loss and bundled medical management tools.
- UnitedHealthcare (UHC)
  - UHC submitted a proposal that reduced their current administrative fees by 11.18% with a three-year cap on increases. They also offered a \$7,500 credit to be used for services related to wellness/biometrics, clinic services, wellness coaching and a myriad of other health related options on a reimbursement basis. The proposal included all services currently being offered to the City within the administrative quote.



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## Financial Analysis

Claim files were generated by UHC for both medical and prescription drug utilization and provided to each third party administrator for analysis. The typical method includes either running the claims through their claims system for re-pricing to provide a savings estimate if they would have been the incumbent or using a high level approach of average discounts on the top providers of services.

Due to the proprietary nature of the claims reprocessing calculation, I am unable to share specifics by vendor. The information was shared with the Human Resource and Finance representative. However, with the exception of NHP (with an in-network provider match of 86.4%), all other vendors would be reasonably close in claims paid which represents over 80% of a health plan cost. An additional exception would be the Anthem limited panel that did not include Affinity providers. When analyzing the match of provider's in-network, all vendors would be very close at 97%+ in-plan utilization.

From a discount/savings perspective, there was no significant savings by moving to another vendor unless the City is willing to offer the limited panel proposed by Anthem. NHP showed slightly higher savings on its in-network providers than the other vendors; however, with 13.6% of providers out-of-network, there is an offset.

## Decision Process

In addition to the administrative and financial analysis, there are other factors to consider such as:

- Historical financial performance with UHC
- Administrative service and support
- Employee network and administrative disruption
- Employee satisfaction with the current carrier
- Employee mobile and internet tools
- Reporting and analytics
- Pricing guarantees

## Recommendations

- 1) After evaluation of the RFP and follow up discussions, the recommendation is to renew with UHC.



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- 2) UHC offered a \$7,500 credit, which we recommend being used for either the advancement of the wellness/biometric program or development and staffing of a clinic.
- 3) All five vendors provided very competitive administrative quotes, thorough claims and pharmacy analysis, and additional value-added services. We recommend conducting a full RFP in three years. However, we will continue to monitor the impact of healthcare reform and the changing landscape of provider networks and changes by insurance carriers and third party administrators to support their customers and advise the City if it would be beneficial to conduct a full or limited RFP sooner.
- 4) As a result of the changing market, we recommend an analysis of the Summary Plan Description, the guiding document for how the plan operates, coverage definitions, and what services are provided to plan participants.



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