

**CITY OF EL PASO, TEXAS
AGENDA ITEM
DEPARTMENT HEAD'S SUMMARY FORM**

DEPARTMENT: Human Resources, Benefit Services

AGENDA DATE: December 22, 2015

CONTACT PERSON NAME AND PHONE NUMBER: Bruce D. Collins, 212-1181
Linda Ball Thomas, 212-1240

DISTRICT(S) AFFECTED: All

STRATEGIC GOAL:

Goal 6: Set the Standard for Sound Governance and Fiscal Management

SUBJECT:

Request for approval to exercise the City's first option to renew for two additional years from January 1, 2016 through December 31, 2017 under Proposal 2012-256R for Third Party Administration (TPA), Managed Medical Network Access, Utilization Review/Utilization Management, Health and Disease Management, COBRA/HIPAA Administration, Employee Assistance Program, Pharmacy Benefit Management, Flexible Spending Account Administration and Health Savings Account Administration.

Vendor 1:	Aetna Life Insurance Company	\$67,400,000.00(2 years)
Vendor 2:	Deer Oaks EAP Services	\$ 90,278.00 (2 years)
Vendor 3:	Express Scripts (formerly Medco)	\$19,600,000.00 (2 years)
Total		\$87,090,278.00 (2 years)

BACKGROUND / DISCUSSION:

Extension period is within Aetna's five (5) year rate guarantee of a 2% increase for the second and third year and a 4% for last two years from initial contract awarded. Aetna's network discount for Calendar Year (CY) 2013 was 66.3% and 66.7% for CY 2014 or \$47.3M savings in billed charges. Express Scripts fees did not have an increase for January 1, 2016 to December 31, 2016. Based on Express Scripts Pharmacy Network, savings to the City of El Paso for CY2013 and CY2014 was \$21.4M of the Average Wholesale Prices of retail pharmacy and home delivery costs. Deer Oaks will not have a rate increase for this renewal period as stated in their initial contract rate guarantee.

SELECTION SUMMARY:

N/A

PRIOR COUNCIL ACTION:

Initial contract was awarded on October 23, 2012 for a period from January 1, 2013 through December 31, 2015 with the option to renew for two additional two (2) year periods from January 1, 2016 through December 31, 2017 and January 1, 2018 through December 31, 2019.

AMOUNT AND SOURCE OF FUNDING:

Health Care Providers Annual Services: 14045-P1414-521120
TPA Benefits Administrators: 14045-P1414-522000
Pharmaceutical Administration: 14045-P1414-521410
Prescription Benefit Payments: 14045-P1414-521380
EAP Administrator: 14045-P1414-521420

BOARD / COMMISSION ACTION: N/A

*****REQUIRED AUTHORIZATION*****

DEPARTMENT HEAD:

Linda Ball Thomas, Human Resources Director

**COUNCIL PROJECT FORM
(CONTRACT EXTENSION)**

*******POSTING LANGUAGE BELOW*******

Please place the following item on the **REGULAR** agenda for the Council Meeting of **DECEMBER 22, 2015.**

STRATEGIC GOAL: NO. 6 SET THE STANDARD FOR SOUND GOVERNANCE AND FISCAL MANAGEMENT

Discussion and action on the request that the Director of the Purchasing & Strategic Sourcing Department be authorized to exercise the City's option to extend current Contract 2012-256R Third Party Administrator for the Self Insured Health Plan with Aetna Life Insurance Company – TPA and Network Provider, Deer Oaks EAP services, LLC-EAP and Express Scripts Inc. – Pharmacy Benefit Manager for two (2) additional years pursuant to the provisions of an award approved by the City Council on October 23, 2012. The extended contract period will be from January 1, 2016 to December 31, 2017.

Department:	Human Resources
Award to: Vendor 1	Aetna Life Insurance Company Hartford, CT
Option:	One of Two
Annual Estimated Claim and Fees:	\$33,700,000.00 (1 year)
Total Estimated Amount:	\$67,400,000.00 (2 years)

Award to: Vendor 2	Deer Oaks EAP Services, LLC San Antonio, TX
Option:	One of Two
Annual Estimated Amount:	\$45,139.00 (1 year)
Total Estimated Amount:	\$90,278.00 (2 years)

Award to: Vendor 2	Express Scripts Inc. (Formerly Medco) St Louis, MO
Option:	One of Two
Annual Estimated Amount:	\$9,800,000.00 (1 year)
Total Estimated Amount:	\$19,600,000.00 (2 years)

Total Annual Amount:	\$43,545,139.00 (1 year)
Total Estimated Amount:	\$87,090,278.00 (2 years)

Account No.:	14045-3500-P1414-521120 14045-3500-P1414-522000 14045-3500-P1414-521410 14045-3500-P1414-521380 14045-3500-P1414-521420
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Funding Source:	Self Insured – Health Care Providers Annual Services, TPA Benefits Administrator, Pharmaceutical Administration, Prescription Benefit Payments, EAP Administrator
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District(s):	All
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This is a Request for Proposal, service contract

DATE: 12/17/2015

MOTION
OCTOBER 23, 2012

Motion made by Representative Acosta, seconded by Representative Byrd, and unanimously carried to **AWARD** Solicitation No. 2012-256R (Third Party Administrator for the Self-Insured Health Plan) to Aetna Life Insurance Company – TPA and Network Provider, Deer Oaks EAP Services, LLC – EAP and Express Scripts Inc. – Pharmacy Benefit Manager for an initial term estimated award of \$130,635,417.

AYES: Representatives Lilly, Byrd, Acosta, Holguin, Ortega and Niland

NAYS: None

NOT PRESENT FOR THE VOTE: Representative Robinson and Noe

Department:	Human Resources
Award to: Vendor 1	Aetna Life Insurance Company Hartford, CT
Items:	TPA and Network Provider
Option:	Two 2-Year Options
Estimated Annual Fees:	\$ 2,300,000.00 (TPA)
Estimated Annual Claims:	\$ 31,400,000.00 (Network Provider)
Estimated Annual Claims & Fees:	\$ 33,700,000.00
Initial Term Estimated Award:	\$101,100,000.00 (3 Years)
1 st Option Estimated Award:	\$168,500,000.00 (5 Years)
2 nd Option Estimated Award:	\$235,900,000.00 (7 Years)

Award to: Vendor 2	Deer Oaks EAP Services, LLC San Antonio, TX
Items:	Employee Assist Program
Option:	Two 2-Year Options
Estimated Annual Fees:	\$ 45,139.00
Initial Term Estimated Award:	\$ 135,417.00 (3 Years)
1 st Option Estimated Award:	\$ 225,695.00 (5 Years)
2 nd Option Estimated Award:	\$ 315,973.00 (7 Years)

Award to: Vendor 3	Express Scripts (formerly Medco) St Louis, MO
Items:	Pharmacy Benefits Manager
Option:	Two 2-Year Options
Estimated Annual Claims & Fees:	\$ 9,800,000.00
Initial Term Estimated Award:	\$ 29,400,000.00 (3 Years)
1 st Option Estimated Award:	\$ 49,000,000.00 (5 Years)
2 nd Option Estimated Award:	\$ 68,600,000.00 (7 Years)

Initial Term:	3 years
Estimated Annual Award:	\$ 43,545,139.00
Initial Term Estimated Annual Award:	\$130,635,417.00 (3 Years)
1 st Option Estimated Award:	\$217,725,695.00 (5 Years)
Total Estimated Award	\$304,815,973.00 (7 years)
Account Nos.:	209 – 14060 – 521120 – 3500 209 – 14060 – 552000 – 3500 209 – 14060 – 521410 – 3500

Funding Source:

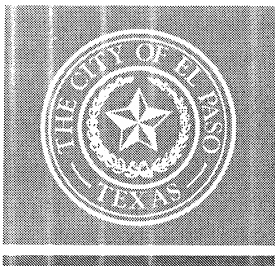
209 - 14060 - 521380 - 3500
209 - 14060 - 521420 - 3500
Health Care Providers Services, TPA
Benefits Administrators, Pharmaceutical
Administration, Prescription Benefits
Payments, EAP Administrators

This is a Request for Proposal, services contract.

Additionally, it is requested that the City Attorney's Office review and that the City Manager be authorized to execute any related contract documents and agreements necessary to effectuate this award.

The Financial Services - Purchasing Division and Human Resources recommend award to the highest ranked proposers as indicated based on evaluation factors established for this procurement.

Richarda Duffy Momsen, City Clerk



Purchasing & Strategic Sourcing Department

Seven (7) Factor Option Memo

Mayor

Oscar Leeser

City Council

District 1

Peter Svarzbein

District 2

Larry Romero

District 3

Emma Acosta

District 4

Carl L. Robinson

District 5

Dr. Michiel R. Noe

District 6

Claudia Ordaz

District 7

Lily Limón

District 8

Cortney C. Niland

City Manager

Tommy Gonzalez

To: Purchasing & Strategic Sourcing Department

From: Linda B. Thomas, HR Director _____
Authorized Signature

Subject: Seven (7) Factor Option

Date: December 15, 2015

Re: Proposal 2012-256R – Health Plan Third Party Administration, Network Utilization, Pharmacy Benefit Management, and EAP

Human Resources recommends authorizing the Option to Extend the Health Plan Third Party Administration (TPA), Managed Medical Network Access, Utilization Review/Utilization Management, Health and Disease Management, COBRA/HIPAA Administration, Employee Assistance Program, Pharmacy Benefit Management, Flexible Spending Account Administration and Health Savings Account Administration Solicitation for 2 years. Exercising this option would meet the following threshold considerations:

1. Are funds available for this Option to Extend?

Yes.

2. Does the Requirement covered by this option fill an existing need of the City?

Yes.

3. Is the option price better than the current available market price?

Yes. Three of four public entities in the area who when through a similar Request for Proposal for effective dates in 2014, 2015, and 2016 selected Aetna for their health plan administration. The one that did not select Aetna, selected Express Scripts as their Pharmacy Benefits Manager. Deer Oaks does not have a rate increased from the current rate for the next two years.

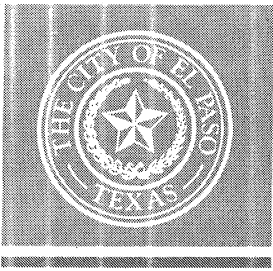
4. Is the time between the date the contract was awarded and the date the option to extend is exercised so short that the market indicates the option is the lowest price obtainable through competition or the most advantageous offer

No

Bruce D. Collins, CPPO

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"Delivering Outstanding Services"



Purchasing & Strategic Sourcing Department

5. *Does the Vendor Performance Form show the vendor's performance rating to be "GOOD (7-8)" or better?*

Yes.

6. *Is the vendor currently under debarred status as per System for Award Management? (SAM) www.sam.gov?*

No

7. *Is the proposed vendor indebted to the City for any amount as documented in the City's Indebtedness Verification Form?*

No.