School Board Members' Role in Improving Employee Health Insurance Plans

MSBA Leadership Conference - January 12, 2023

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Marcy Anderson, School Board Chair

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MN Self-Funded User Group

Goal: Our Group's goal is peer-to-peer learning through sharing experiences in order to continuously increase knowledge, expertise and confidence in employee healthcare plan decision processes and management with emphasis on transparency and understanding the "self-funding" plan option.

Purpose: Our Group's purpose is to advance knowledge in order to increase capabilities, by raising MN public school leaders' and administrators' knowledge and competencies to effectively manage employee healthcare programs, and to provide peer-to-peer assistance to districts that are exploring improvements to their employee health plans.

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MN Self-Funded User Group Charter

MN Self Funded User Group Knowledge Base

Session Objectives

After the conclusion of this presentation, you will have a better understanding of:

- The RFP process required of School Districts under MN Statute 471.6161, and how it applies to self-funded plans
- The important criteria for a Board to consider when evaluating a third-party administrator
- How being self-funded grants a District greater control over plan design and implementation
- The disruption that narrow network plans can cause when switching TPAs
- Some challenges that come with changing TPAs, and some tips for dealing with the challenges

Background

On January 27, 2022, Anoka-Hennepin Schools issues a Request for Proposal for a Third Party Administrator (TPA) for our Self-funded Health Plan, which culminated in the Selection of United Health Care by the School Board on April 25th.

Anoka-Hennepin has been self-insured for decades, and this represented the first change in Third Party Administrators for the District in over 30 years.

In this presentation, we will go over some of the information that was shared at School Board meetings leading up to and immediately after making the decision to change TPAs, and discuss the challenges involved in the decision and the transition that followed.

Timeline

2022 Insurance RFP Timeline

Jan	27	- RFP Released
March	3	- Initial Proposals Due
	29	- Finalist Interviews
April	4	- Best and Final Offers submitted
		- Analysis of preliminary offers shared with AHEM Reps
	12	- RFP results shared with Insurance Advisory Committee
	25	- SB approves TPA
		- SB approves authority to increase insurance contributions
May	2	- SB reviews Insurance plans and rates - first reading at work session
	3	- Plans and Rates shared with Insurance Advisory Committee
	9	- SB approves new plans and rates
May 30-June 14		- Open enrollment
September 1		- new plan year begins

Insurance Third Party Administration Request for Proposal

Slides taken from April 25, 2022 School Board Meeting

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Group Insurance

Minnesota Statute 471.6161

Request for Proposals (RFP)

471.6161 Subd. 8.

School districts must make requests for proposals at least 150 days prior to the expiration of the existing contract but not more frequently than once every 24 months.

School district contracts for group health insurance must not be longer than two years unless the exclusive representative of the largest employment group and the school district agree otherwise.

Proposals are negotiated in or to reduce costs or improve services under the proposals.

The school district may choose from any of the initial or final proposals without further negotiations and in accordance with subdivision 5, but not sooner than 15 days after the proposals become public data.

Anoka-Hennepin employed the services of Deloitte Consulting to coordinate the development and distribution of the RFP 22019P released January 7th, 2022.

RFP 22019P

Group Medical & Prescription Drug Plan Administration and Stop Loss Insurance

March 3, 2022 proposal responses were received and opened:

Medical & prescription drug administration were submitted from:

- Medica
- United Healthcare ("UHC")

A fully insured quote was provided by:

- Innovo Benefits (PEIP)

Five proposals for carved-out pharmacy benefit administration were submitted:

- CVS Caremark ("CVS"),
- Elixir Crafted Rx Solutions
- MaxorPlus Pharmacy Benefits Management Services
- Serve You Rx
- Southern Scripts

Evaluation

District Administration worked with Deloitte Consulting to evaluate the proposals based on compliance with the submission requirements and the following criteria:

- Organizational experience and ability to provide and quality of requested services
- Overall cost including medical, prescription drug, and stop loss
- Ability to administer the plan designs requested
- Medical and pharmacy provider network composition and member access
- Prescription drug formulary composition
- Health Improvement, Disease Management, Education and Wellness Programs offerings
- Ability to provide data and meaningful management reporting

Based on the preliminary analysis, Anoka-Hennepin identified viable proposals from Medica, UHC and CVS. Representatives of Anoka-Hennepin and Deloitte Consulting held finalist interviews and bidders submitted final offers on April 4, 2022.

RFP Analysis

Medical Network Alignment

- Bidders were asked to report whether the providers used by Anoka-Hennepin members in 2021 are in-network or out-of-network
  - ✓ Bidders were provided with a listing of the health care providers used in 2021 and asked to indicate if the provider is in-or-out of their proposed network
  - ✓ The analysis identified health care providers by type of service: inpatient, outpatient, and professional
- The results show that both Medica and UHC networks include almost all of the providers that Anoka-Hennepin members used in 2021

Percent of In-Network Providers	Medica	UHC
% of Unique Providers		
Facility	97.7%	96.1%
Professional	98.0%	98.6%
% of Paid Claims		
Facility	99.5%	99.4%
Professional	97.6%	97.7%

RFP Analysis

Retail Pharmacy Alignment

- Bidders were provided with a listing of the pharmacies used in 2021 and asked to indicate if the pharmacy is in-or-out of their proposed network
  - ✓ The analysis measures how many of the retail pharmacies are in or out-of-network and it also measures how many prescriptions that are adjudicated at each pharmacy are in or out-of-network
  - ✓ The analysis includes Minnesota pharmacies since 98% of retail prescriptions were filled in the State
- There would be little to no member retail pharmacy disruption through a change

Minnesota Pharmacy Match	CVS	Medica	UHC
Retail Pharmacies			
In-Network	602	602	602
Out-of-Network	0	0	0
Total Pharmacies	602	602	602
Prescriptions Filled			
Prescriptions In-Network	135,203	135,203	135,203
Prescriptions Out-of-Network	0	0	0
Total Prescriptions	135,203	135,203	135,203

RFP Analysis

Formulary Alignment

- Bidders were provided with the prescription drugs used by Anoka-Hennepin's members and asked to match the drug to their proposed formulary and indicate how the drug would be covered
- Each of the bidders is compared to the incumbent formulary
- When performing the formulary match, prescriptions are categorized one of three ways; no change, positive change, and negative change.
- Each of the bidders has a similar amount of change relative to Medica's formulary

Formulary Match	Medica	CVS	UHC
% of Total Prescriptions			
No Change for Members		90.9%	88.9%
Positive Change (Members pay Less)		2.0%	3.4%
Negative Change (Members pay More)		7.2%	7.8%
Drug Match Error*		0.0%	0.4%
Total		100%	100%

*UHC submission included prescriptions that could not match

RFP Analysis

Self-Insured Cost Analysis Methodology

1 Assumptions, Claims Projection, and Cost Proposal Weights

- Deloitte performed an independent medical claims projection using data from Medica
- Using the claims data, Deloitte developed the weights for inpatient, outpatient, and professional claims to be used in the scoring

2 Bidder Network Alignment/Disruption Analysis

- Deloitte analyzed bidder responses to network match exhibits for inpatient, outpatient and professional providers to be evaluated with the claims projection to adjust network financial discounts

3 Bidder Inpatient, Outpatient, Professional, Fee, and Guarantee Analysis

- Deloitte analyzed bidder proposals for inpatient, outpatient, professional, and administration fees

✓ **Inpatient / Outpatient / Professional Contracts:** Bidders were required to submit information specific to their provider contracts based on AHISD's utilization. Bidder submissions were used in the claims projection to adjust inpatient and outpatient claims

✓ **Administration Fees:** Proposed fixed fees were calculated using projected enrollment

✓ **Credits:** Proposed credits that can be used to offset claims or administration fees were included in the cost analysis.

✓ **Discount Guarantees:** Medical discount and trend guarantees were evaluated for reasonableness and competitiveness

✓ **Performance Guarantees**: Implementation, operational, and service level performance guarantees were evaluated for competitiveness

RFP Analysis

Self-Insured Cost Analysis Results

- All proposals were evaluated. Medica, UHC, and CVS submitted revisions to their preliminary proposals
- Deloitte analyzed proposals from Medica and UHC for integrated medical and prescription drug administration for the two-year contract period, and CVS as a "carve-out" option
- UHC is calculated to have approximately $1.9M in savings, or 1.4%, compared to the Medica proposal which is attributable to deeper medical network discounts, higher prescription drug rebates, and lower stop loss fees
- If the pharmacy benefit is awarded to CVS, the calculated savings is $473K over the two-year period, or 0.3%

Medical, Prescription Drug, & Stop Loss	Medica Current Contract	Medica Proposal	UHC Proposal	Medica w/ carve-out pharmacy w/ CVS
Year 1: 9/1/2022 - 8/31/2023	$71,087,000	$68,179,000	$67,318,000	$68,344,000
Year 2: 9/1/2023 - 8/31/2024	$76,121,000	$73,153,000	$72,072,000	$72,515,000
Total	**$147,208,000**	**$141,332,000**	**$139,390,000**	**$140,859,000**
Cost / (Savings) vs Current Contract Terms $		($5,876,000)	($7,818,000)	($6,349,000)
Cost / (Savings) vs Current Contract Terms %		-4.0%	-5.3%	-4.3%
Cost / (Savings) vs Incumbent $			($1,942,000)	($473,000)
Cost / (Savings) vs Incumbent %			-1.4%	-0.3%

1. The calculated savings through UHC does not include the impact of implementing a narrow network / ACO network

Recommendation

22019P Award Recommendation

- Based on the evaluation of final proposals received in response to 22019P, District Administration is recommending the selection of United Healthcare as the third-party administrator for our self-insured medical and prescription drug plans and stop loss insurance

Recommendation Rationale

22019P Award Recommendation

- United Healthcare's proposal provides comprehensive capabilities to support the objectives described in the RFP
- United Healthcare's medical provider network and pharmacy network offer broad access to members with minimal disruption
- United Healthcare's proposal results in lower premium rates for employees
  - Approximately $250 per employee per year
- Results of the RFP were shared with our insurance advisory committee, and the representatives were generally supportive of moving to UHC

2022-23 Insurance plans and rates

Slides taken from May 9, 2022 School Board Meeting

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2021-22 Health insurance plans

Plan	Plan design	Network
Elect 80/20	Deductible: $1,500 single/$3,000 family Coinsurance: 20%	Narrow
Choice 80/20		Open
Choice 90/10	Deductible: $750 single / $1,500 family Coinsurance: 10%	Open
Elect Copay	Deductible: None Copay: $25 - $100	Narrow
Vantage Plus Copay		Narrow

2021-22 Employee contributions

Single	Premium	District Contr.	Employee / mo	Employee/ check
Elect 80/20	$682	$700	$0	**$0**
Choice 80/20	$715	$700	$15	**$9**
Elect Copay, V+ Copay, Choice 90/10	$865	$700	$165	**$99**
Family				
Elect 80/20	$1,840	$1,250	$590	**$354**
Choice 80/20	$1,935	$1,250	$685	**$411**
Elect Copay, V+ Copay, Choice 90/10	$2,350	$1,250	$1,100	**$660**

2022-23 Proposed health insurance plans

Employees will have the choice of:

- Two plan designs:
    - 80/20 – deductible and coinsurance
    - Copay – no-deductible and copay
- Two networks:
    - UHC Choice Plus - broad open access network
    - UHC Core – narrow network

2022-23 Health insurance plans

Plan	Plan design	Network
Core 80/20	Deductible: $1,500 single/$3,000 family Coinsurance: 20%	Narrow
ChoicePlus 80/20		Open
Core Copay	Deductible: None Copay: $25 - $100	Narrow
ChoicePlus Copay		Open

2022-23 Employee contributions

Health insurance

Single	Premium	District Contr.	Employee / month	Employee/ check
Core 80/20	$710	$735	$0	**$0**
Choice Plus 80/20	$750	$735	$15	**$9**
Core Copay	$870	$735	$135	**$81**
Choice Plus Copay	$915	$735	$180	**$108**
Family				
Core 80/20	$1,855	$1,310	$545	**$327**
Choice Plus 80/20	$1,950	$1,310	$640	**$384**
Core Copay	$2,340	$1,310	$1,030	**$618**
Choice Plus Copay	$2,460	$1,310	$1,150	**$690**

Change in employee contribution

Summary

From	To		Extra cost per check - single	Extra cost per check - family
Elect 80/20	Choice Plus 80/20	Similar Plan Design Wider Network	$9	$30
Elect/VantagePlus Copay	Choice Plus Copay			
Choice 80/20	Choice Plus 80/20	Similar Plan Design Similar Network	0 - ($18)	($18) - ($42)
Narrow network (Elect/Vantage Plus)	Narrow network (Core)			
Open network (Choice)	Narrow network (Core)	Similar Plan Design Narrower Network	($9) - ($18)	($42) - ($81)

Implementation - Lessons Learned

Switching Providers will be significant extra work for your staff

- Approving every detail of the new plan designs
- Communicating changes to members
- Forced open enrollment issues
- Dealing with enrollment mistakes and miscommunication
- Discovering and dealing with items that were silent in the old plan
- Handling unprecedented levels of disruption
  - Claims moving out of network - especially pharmacy
  - New approvals and requirements for members
- Helping the TPA to understand **your** plan when it is different from their standard

Implementation - Lessons Learned

Tips and Pointers from the A-H Experience

- Get started on the RFP process early
- Involve your bargaining units in the process
- Avoid making assumptions about plan design and procedures
- Assume positive intentions when dealing with TPA and Employees
- No matter how well you Communicate, some people will miss it.
- Prepare your employees for inevitable disruption, and assure them that you and the new TPA are committed to help them through it.
- Pay attention to the workload and needs of your insurance staff - some customer service compromises will likely need to be made
- Keep in communication with your broker/consultant throughout the implementation

Thank You

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