

AGENDA

SPECIAL MEETING BOARD OF MAYOR AND ALDERMEN (RE: CITY'S HEALTH INSURANCE PROVIDER)

April 29, 2009
Mayor and all Aldermen

6:00 PM
Aldermanic Chambers
City Hall (3rd Floor)

1. Mayor Guinta calls the meeting to order.
2. Mayor Guinta calls for the Pledge of Allegiance.
A moment of silent prayer is observed.
3. The Clerk calls the roll.
4. Discussion regarding the City's Health Insurance Provider.
*(Note: Representatives from WBS Workplace Benefits Solutions will be in attendance.
Communication from Jane Gile attached; tabled 4/21/09.)*
5. If there is no further business, a motion is in order to adjourn.

Human Resources Assistant I
 Board of Mayor & Aldermen
 April 21, 2009
 tabled 4/21/09



Executive Summary

The Health Insurance Selection Committee is recommending that the City of Manchester contract with the incumbent carrier; CIGNA Healthcare for an additional three years based on the results of the recent RFP process. Our key findings are:

- CIGNA's industry leading Disease Management program has demonstrated savings of over \$650,000 in the current plan year for the City of Manchester.
- CIGNA's Medicare Advantage Plan will save the City's post 65 retirees more than \$1.2 Million dollars next year.
- CIGNA is offering lower administrative fees over the three year contract.
- CIGNA offers a National Network with deep discounts and will be enhancing the local network by utilizing Tufts Health plans discounts in Massachusetts
- CIGNA's pharmacy management program offers a competitive mix of rebates and discounts to control prescription drug costs for the City.

Below is a summary of the financial offerings of each of the finalists for the duration of the three year contract. *Please note that the Fully Insured rates for the Retiree plan are first year rates only.* (Based on 1366 active and pre 65 retirees and 346 post 65 retirees)

	<i>Cigna</i>		<i>Anthem</i>	
	Three Years		Three Years	
Total Administrative Fee	\$	2,187,495	\$	2,202,325
Value of Rx Plan - Rebates/Discounts (1)	\$	712,071	\$	684,793
Retiree Premium (first year rate) (2)	\$	1,441,284	\$	2,725,414
Wellness Fund	\$	120,000	\$	60,000
On-going Service Guarantee (3)	\$	165,000	\$	147,528
Discount Guarantee (4)	\$	196,704	\$	147,528

Notes:

- 1) CIGNA rebates are guaranteed for all 3 years, Anthem rebates are not guaranteed in years 2 and 3 and are illustrated at 90% of year one. CIGNA proposal offers lower rebates but higher discounts.
- 2) Retiree premium is based on the current 346 enrollees.
- 3) Performance guarantees are only paid if the carrier does not meet performance standards. Anthem's guarantees include implementation.
- 4) CIGNA's target medical discount is 41.2%, Anthem's target medical discount is 41.5%.

Jane Gile
Human Resources Director



CITY OF MANCHESTER Human Resources Department

April 21, 2009

TO: Board of Mayor and Aldermen

FROM: Jane Gile, HR Director

SUBJECT: Health Insurance Administrator

Per the request of the Board of Mayor and Aldermen, Human Resources has been charged with soliciting bids for a new three year contract for health insurance. With the help of Workplace Benefit Solutions (WBS), the City's health insurance consultant, an extensive review was conducted that delved into the details of our current plan and funding and looked at options for the future.

The RFP process solicited bids from seven administrators with five issuing full quotes and one issuing a "pharmacy only" quote. Over the last four weeks, WBS worked with the bidders to make sure that carriers were evaluated on an "apples to apples" basis - making sure that all components of their administrative fees were included in the pricing so that the comparison was an accurate depiction of the City's true costs.

Along with WBS, a health plan administrator evaluation committee reviewed the detailed answers to the questions posed in the RFP as well as the financial considerations of the proposals. The analysis focused on seven major components listed in order of importance:

1. Program Administration – Ability to administer the City's current benefits.
2. Network Discounts/Access – Ability to provide a broad network with deep discounts.
3. Administrative Fees – Competitive fees for the duration of the contract.
4. Value of Disease Management Programs – Ability to identify and help our employees who are most at risk for serious illness.
5. Retiree Benefits – Ability to provide a high-quality, cost effective plan for the City's retirees.
6. Pharmacy Program – Ability to provide network access, deep discounts and return rebates to the City.
7. Performance Guarantees – Willingness to put money at risk as a guarantee of superior service to our employees and the City.

The first proposal review meeting focused on the Qualitative analysis of the respondents. The abbreviated responses to the questions asked of each of the providers were reviewed. Each of the respondents was scored based on the components above. The second meeting focused on the Quantitative responses. Based on the financial quotes, the field was narrowed down to two carriers; CIGNA and Anthem. Both provided very thoughtful responses to our questions and provided highly competitive financial proposals.

CIGNA and Anthem were invited to City Hall for finalist meetings. Prior to the meeting they were asked to bring their "Best and Final" proposal. A few minor adjustments were made by each of the carriers.

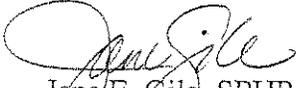
A final evaluation was done after the presentations based on the initial criteria. The findings are as follows;

1. Program Administration – it was determined that each of the finalists was capable of administering the current plan of benefits. Both CIGNA and Anthem have administered the plan in the past.
2. Network Discount/Access- a disruption analysis was performed and it was determined that CIGNA and Anthem would provide equal network access. Network discounts were also effectively even with CIGNA offering a network discount guarantee of 41.2% and Anthem at 41.5% with a margin of error of 2%-3%. Both carriers have made substantial improvements to their network access and discounts in MA. CIGNA is using their Carelink program that accesses Tufts discounts and Anthem is quoting their Access Blue NE product which provides for seamless access throughout New England and takes advantages of BC/BS of MA best discounts.
3. Administrative Fees – The fees quoted were extremely close. CIGNA's fees over the life of the contract were slightly lower than Anthem's
4. Value of Disease Management - CIGNA scored better on Disease management programs addressing 31 chronic conditions vs. Anthem's 19. CIGNA is able to report return on investment on a per client basis which is currently \$3.4 to \$1 for the current plan year for the City of Manchester. Anthem's National ROI is \$2.8 to \$1. CIGNA currently has 1351 members in their disease management program and estimates year to date savings in excess of \$650,000.
5. Retiree Benefits – CIGNA is able to offer a Fully Insured Medicare Advantage Plan for the City's retirees which will save more than \$1.15 Million, in one year, over the renewal rates of CIGNA's current Medicare Supplement and roughly \$1.25 Million over Anthem's Medicomp III proposal.
6. Pharmacy Program – The pharmacy program are equivalent, with CIGNA providing deeper discounts and lower rebates and Anthem providing lower discounts and higher rebates. The two pieces combined are nearly a wash for the City (approx \$8,500 difference in year one). Of note, CIGNA's rebates are guaranteed for three years, while Anthem's are guaranteed for one year.
7. Performance Guarantees – Both carriers have put substantial dollars at risk in the form of performance guarantees to insure that high standards are met for service and account management. Our hope is that they will not be needed but it is important that the companies have an extra incentive to perform well.

An important note is that each carrier has offered money to pay for "Wellness Programs". Anthem has agreed to provide \$20,000 per year toward a wellness program and has developed an innovative web tool that is based on the Manchester Road Race course where employees can track the progress they have made on their wellness goals. CIGNA has made \$40,000 available to the City for the last two years and will continue that program for another three years. In the last two years that money was used primarily for flu shots for employees. While flu shots are important, WBS has advised that the City would be better served to file flu shots as claims and use those wellness dollars to provide biometric screening and incentivize employees to take a Health Risk Appraisal. The City will be working on this with CIGNA and WBS in the coming weeks.

Based on the above findings the Health Insurance Selection Committee has made a unanimous recommendation with one abstention to sign a three year agreement with CIGNA Healthcare.

Respectfully submitted,



Jane E. Gile, SPHR

HR Director

On behalf of the Review Committee