Warehouse Employees Union Local No. 730

BEST AND FINAL SUMMARY OF FINDINGS

Medical Administration (RFP)

September 16, 2014

Presented by:

Josh Timm
Bryan Spivey

1. Introduction

2. Medical Administrative Services Comparison

3. Provider Network Comparison

4. Total Cost Comparison

5. Finalist Recommendations

6. Financial Ratings

Addendum – UDS Discount Analysis

Introduction

- On behalf of the Warehouse Employees Union Local No. 730 (The Fund), Segal solicited proposals to provide shared administrative services to the Fund.
- The Fund’s objective was to review the market to determine the competitiveness of the current fees and the current level of quality medical providers for The Fund’s members and their eligible dependents.
- This report provides a summary of each bidder's proposal.
- Segal’s National Health Practice participates in a national PPO provider discount sharing consortium. Segal is among 10 major consulting and brokerage firms that routinely receives the network provider discount files from the top national health networks (Aetna, Blues, Cigna and United). This data sharing consortium is called the Uniform Discount Data Specification (UDS). We used this information to analyze the medical discounts of the insurance carriers.

Introduction *continued*

- Proposals for ASO and Shared Administrative Medical Benefits were received from the following bidders:
  - CIGNA Corporation (CIGNA)
  - Aetna Life Insurance Company (Aetna)
  - Carefirst
- UnitedHealthcare declined to quote.
- Self-Funded financial cost projections were developed for all bidders utilizing each vendor’s proposed administration fees.
- CareFirst fees based on fees offered through the Health Care Cost Containment Corporation (HCCCC).

1. Introduction

2. Medical Administrative Services Comparison

3. Provider Network Comparison

4. Total Cost Comparison

5. Finalist Recommendations

6. Financial Ratings

Addendum – UDS Discount Analysis

Shared Administrative Fees

SUMMARY OF ESTIMATED SHARED ADMIN FEES

	Current	Original CIGNA	Final CIGNA*	Aetna	Carefirst
2015 PEPM Fee	$21.21	$26.40	$24.99	$12.30	$5.54
Total Annual Estimated Fees for 2015	$92,136	$112,032	$108,557	$51,346	$24,056
Change from Current	N/A	$19,896	$16,421	($40,790)	($68,080)

Total fees assume 362 employees.

* The 2015 PEPM fees decreased by $1.41 compared to original CIGNA rates. Total annual estimated fees decreased by $3,457 compared to original CIGNA rates.

- Warehouse 730 is a member group of the HCCCC. Current Network Lease rates with the HCCCC runs through 12/31/2015. CareFirst will look to provide multiple year pricing for the HCCCC prior to 12/31/2015.
- CareFirst fees based on a blend of $4.50 and $22.39 PEPM based on employee's home address.

Shared Administrative Services by TPA and Carrier

	CIGNA	Aetna	CareFirst
Receipt of claims	Y	Y	Y
Re-pricing	Y	Y	Y
Claims adjudication	Associated Administrator	Associated Administrator	Associated Administrator
Check issuance	Associated Administrator	Associated Administrator	Associated Administrator
EOB's	Associated Administrator	Associated Administrator	Associated Administrator
Member service	Associated Administrator	Associated Administrator	Associated Administrator
Provider service	Y	Y	Y

Shared Administrative Services Included in Fees

	CIGNA	Aetna	Carefirst
Network Access and Administrative Fees	Included	Included	Included
Case Management Fees	Included	Included	Not Included
Utilization Management Fees	Included	Included	Not Included
ID Cards	Included	Included	Not Included
Provider Directory	Included (electronic)	Online Directories Included	Not Included
Booklets/SPDs	Included (electronic)	Not Included	Not Included
Data Reporting	Included (standard only)	Included	Not Included
Disease Management (Maternity Management)	Included	Not Included	Not Included
Organ Transplant Program	Not Included	Aetna's National Medical Excellence program included	Not Included
Medical Info Line	Included	Aetna's Informed HealthLine included	Not Included
Banking	Included	Included	Not Included
Start Up Costs	N/A	Included	Not Included

1. Introduction
2. Medical Administrative Services Comparison
3. **Provider Network Comparison**
4. Total Cost Comparison
5. Finalist Recommendations
6. Financial Ratings
Addendum – UDS Discount Analysis

Provider Network Comparison

Access and Disruption

- GeoAccess analysis determines whether employees will have sufficient access to in-network providers
- Disruption analysis determines the overlap between the current network and the proposed network for medical coverage
- Together GeoAccess and disruption analyses are capable of determining if a network is going to be an “appropriate match” for an employee population

Provider Network Comparison

Access continued- Number of Providers

Carrier	Coverage Type	Number of Providers
Cigna	PCPs	6,780
	OB/GYNs	1,441
	Pediatricians	1,671
	Other Specialists	27,285
	Hospitals	44
Aetna	PCPs	7,975
	OB/GYNs	1,916
	Pediatricians	2,756
	Other Specialists	51,764
	Hospitals	45
CareFirst	PCPs	10,159
	OB/GYNs	2,138
	Pediatricians	2,140
	Other Specialists	58,646
	Hospitals	31

Provider Network Comparison

Access continued- Travel Distance

Carrier	Coverage Type	Average Distance
Cigna	PCPs	1.1
	OB/GYNs	1.8
	Pediatricians	1.6
	Other Specialists	1.0
	Hospitals	5.3
Aetna	PCPs	1.1
	OB/GYNs	1.9
	Pediatricians	1.7
	Other Specialists	0.8
	Hospitals	2.9
CareFirst	PCPs	1.2
	OB/GYNs	1.9
	Pediatricians	1.7
	Other Specialists	0.8
	Hospitals	4.5

Provider Network Comparison

Access continued- Employees with Access

Carrier	Coverage Type	Access
Cigna	PCPs	100.0%
	OB/GYNs	99.2%
	Pediatricians	99.2%
	Other Specialists	100.0%
	Hospitals	100.0%
Aetna	PCPs	99.7%
	OB/GYNs	98.6%
	Pediatricians	98.9%
	Other Specialists	100.0%
	Hospitals	100.0%
CareFirst	PCPs	99.4%
	OB/GYNs	97.2%
	Pediatricians	98.0%
	Other Specialists	100.0%
	Hospitals	99.7%

Standard for Definition of Access to Network Provider

- PCPs = 2 within 5 mile radius
- Specialists = 2 within 8 mile radius
- Hospitals = 1 within 10 mile radius

Provider Network Comparison—Disruption

Carrier	Percent of Claims	Percent of Dollars[1]
Aetna	5.2%	4.5%
Carefirst	12.6%	11.0%

[1]The "percent of dollars" refers to the percentage of paid total claims incurred during the period that would have been paid out-of-network by the proposed network.

Provider Network Comparison—Discounts

	Cigna	Aetna	CareFirst
Inpatient Hospital	26.2%	26.2%	22.7%
Outpatient Hospital	55.2%	55.9%	48.1%
Physician	51.7%	53.5%	53.3%
Overall Estimated Discount	47.0%	47.6%	44.3%

1. Introduction

2. Medical Administrative Services Comparison

3. Provider Network Comparison

4. Total Cost Comparison

5. Finalist Recommendations

6. Financial Ratings

Addendum – UDS Discount Analysis

Total Cost Comparison

	Original CIGNA	Final CIGNA	Aetna	CareFirst
Total Billed Charges for 2013	$9,477,490	$9,477,490	$9,477,490	$9,477,490
Discount %	47.00%	47.00%	47.60%	44.30%
Projected Paid Claims before Member Share	$5,023,070	$5,023,070	$4,966,205	$5,278,962
Proposed ASO Fees	$112,032	$108,557	$51,346	$24,056
Total Cost	$5,135,102	$5,131,627	$5,017,551	$5,303,018
Cost compared to Original Cigna	N/A	($3,475)	($114,076)	$171,391

1. Introduction
2. Medical Administrative Services Comparison
3. Provider Network Comparison
4. Total Cost Comparison
5. Finalist Recommendations
6. Financial Ratings
Addendum – UDS Discount Analysis

Finalist Recommendations

Segal recommends the following carriers be selected as finalists:

- Cigna –
  - Current Carrier
  - 2nd best financial offer
  - Good access
  - 18% fee increase from current

- Aetna
  - Evaluated to have best discount
  - Low disruption percentage
  - Good access
  - Best overall financial proposal (three year savings would equal approximately $350,000[1]
  - Need get Aetna to provide cost for Maternity Management

[1] Savings are before member cost share

1. Introduction
2. Medical Administrative Services Comparison
3. Provider Network Comparison
4. Total Cost Comparison
5. Finalist Recommendations
6. **Financial Ratings**
Addendum – UDS Discount Analysis

Financial Ratings

Rating	CIGNA	Aetna	Carefirst
A.M. Best	A (2/13)	A (8/12)	Not Provided[1]
Standard & Poor	A+ (7/13)	A+ (8/12)	Not Provided[1]
Moody's	A2 (11/13)	A2 (5/13)	Not Provided[1]

[1] In accordance with the requirements set forth by the Blue Cross and Blue Shield Association, CareFirst receives a limited private rating from Standard & Poor's on an annual basis. The latest rating occurred June 2013. Because it is a limited private rating, both parties are restricted from releasing the ratings without prior approval.

Standard & Poor's (S&P) Rating Descriptions

INVESTMENT GRADE OR SECURE

RATING	CATEGORY
AAA(Aaa)	Companies rated AAA have the highest rating assigned. Capacity to pay interest and repay principal is extremely strong.
AA(Aa)	Companies rated AA have a very strong capacity to pay interest and repay principal and differ from the highest rated insurers only to a small degree.
A(A)	Companies rated A have a strong capacity to pay interest and repay principal, although they are somewhat more susceptible to adverse changes in economic conditions than those in higher rated categories.
BBB(Baa)	Companies rated BBB are regarded as having an adequate capacity to pay interest and repay principal, however, adverse economic conditions or changing circumstances are more likely to lead to a weakened capacity to pay interest and repay principal.

BELOW INVESTMENT GRADE OR VULNERABLE

RATING	CATEGORY
BB(Ba); B(B); CCC(Caa); CC(Ca)	Companies rated BB, B, CCC and CC are regarded, on balance, as speculative with respect to their credit worthiness. While such companies may have some protective characteristics, uncertainties and major risk exposure or adverse conditions outweigh them.
R; NR	The rating R is reserved for companies who "have experienced a REGULATORY ACTION regarding solvency." The rating NR indicates that the insurer's financial solvency is not rated.

Financial Ratings *continued*

A.M. Best's Rating Descriptions

INVESTMENT GRADE OR SECURE:

RATING*	CATEGORY
A++ and A+	Superior - "very strong ability to meet their ongoing obligations to policyholders"
A and A-	Excellent - "strong ability to meet their ongoing obligations to policyholders"
B++ and B+	Very Good - "good ability to meet their ongoing obligations to policyholders"

BELOW INVESTMENT GRADE OR VULNERABLE

RATING	CATEGORY
B and B-	Fair - "ability to meet their current obligations to policyholders, but their financial strength is vulnerable to adverse changes in underwriting and economic conditions"
C++ and C+	Marginal - "ability to meet their current obligations to policyholders, but their financial strength is vulnerable to adverse changes in underwriting and economic conditions"
C and C-	Weak - "ability to meet their current obligations to policyholders, but their financial strength is very vulnerable to adverse changes in underwriting and economic conditions"
D	Poor - "ability to meet their current obligations to policyholders and their financial strength is extremely vulnerable to adverse changes in underwriting and economic conditions"
E	Under Regulatory Supervision – "placed by an insurance regulatory authority under a significant form of control or restraint, such as conservatorship or rehabilitation, but does not include liquidation"
F	In Liquidation - "under an order of liquidation by a court of law or whose owners have voluntarily agreed to liquidate the company"
S	Rating Suspended - "experienced sudden and significant events affecting their financial position or operating performance whose rating implications cannot be evaluated due to a lack of timely or adequate information"