

STAFF REPORT

Date: August 23, 2023

To: Mayor and City Council

Thru: Doug Thornley, City Manager

Subject: Staff Report (For Possible Action): Approval of Contract with UMR (UnitedHealthcare) for the provision of health insurance plan administration for a term of three years in the amount of \$864,900 per year. (Self-funded Medical Funds)

From: Angela Davis, Management Analyst

Department: City Manager's Office – HR

Summary:

On May 17, 2023, a Request For Qualifications (RFQ) was issued for a third party administrator (TPA) for the City of Reno health plans for a January 1, 2024 effective date. The RFQ initiated a search for an organization that could manage the complexities of administering multiple plans and sub-entities as well as retiree coverage. The goal of the RFQ was to identify a TPA who is highly competent in care management, claims administration and regulatory compliance, with a focus on high-quality customer service and a comprehensive network. The RFQ required that the TPA's medical PPO network have all key Reno hospitals: Renown, both Northern Nevada Medical Centers (NNMC) and St. Mary's. Having a strong national presence was also required as the City has a large retiree population and some active members residing outside the state of Nevada. A dental PPO that is strong in the Reno/Sparks area is important, with a preference that the network include a dental network out-of-area. Preference was given to a TPA with a system that can provide employee online enrollment, with enrollment data transferring electronically to the City.

Essential to the success of a TPA is the ability to administer the plan of the City of Reno as it is written and willingness to work effectively with program carve-outs such as the pharmacy benefit manager (PBM) and current stop loss insurance carrier. A primary objective of the RFQ was to identify an organization that could administer the City's current plan with no disruption to benefits provided and an increase in customer service and overall customer satisfaction.

Out of five total respondents, three national TPA's met the minimum RFQ requirements of having all major hospitals included in the TPA's PPO network. Qualified bidders include Aetna,

Anthem, and UnitedHealthcare (UMR). In their capacity as Broker for the City of Reno Health plans, Lockton Companies served as benefits consultants and completed a side-by-side comparison of key responses. It is recommended that the City of Reno contract with UMR for TPA services.

Alignment with Strategic Plan:

Fiscal Sustainability

Previous Council Action:

November 2017 – Council approved contract for Hartford Basic-10 Group Health Plan to serve as a MediGap plan for police retirees.

October 2015 – Council approved Renown to provide hospital, provider and third-party administration services.

June 2012 – Council approved three-year agreement for TPA services through Hometown Health.

July 2011 – Council approved contract with Hometown Health for TPA services for an EPO Health Plan.

July 2010 – Council approved contract with Hometown Health for TPA services for a self-funded HMO.

June 2009 – Council approved agreements with Hometown Health Plan and CDS for health insurance.

June 2008 – Council approved an agreement with CDS for health insurance.

May 2005 – Council approved one-year renewal of agreement with Hometown Health Plan.

June 2004 – Council approved one-year renewal of agreement with Hometown Health Plan.

May 2002 – Council approved renewal of Hometown Health Plan for health maintenance coverage.

June 2001 – Council approved addition of Hometown Health Plan for health maintenance coverage.

February 1989 – Council approved Group Health Agreement with Hospital Health Plan of Northern Nevada

Background:

The City of Reno health plans were designed to provide employees with choices that best fit their lifestyle including a choice in network providers, level of coverage, and auxiliary benefits that support the program. To ensure accurate, compliant adjudication of claims, the City utilizes third party administrators to administer the \$31 million dollar self-funded health plan. Current fees associated with administration represent about 2.2 percent of the total plan cost; a far cry from the national average of 15 percent spent on administrative fees. The City has worked diligently to identify cost-savings and to ensure the best services for our employees.

We have utilized the same two TPA's, Prominence and Hometown Health Plan, to administer our program for over 34 years. As the City of Reno has grown and the benefit program grew in complexity, these TPA's have struggled to provide consistent, accurate, and reliable customer service. It is estimated that current staff dedicated to benefits administration expend up to a quarter of their time addressing issues that arise from the limitations of the current TPA's. The number of issues brought forward have grown consistently. Therefore, employee representatives recommended the City look for TPA services better suited for our employees

RFQ respondents were vetted by the City's Broker, Lockton Companies, with responses summarized with this staff report. Input from key stakeholders, including employee representatives, was solicited as to what services or capabilities they would like to see in their next TPA. Their feedback became the backbone for the RFQ and the recommendation to contract with UMR as the City's next TPA.

Discussion:

UMR has a proven history of serving Nevada entities such as the State of Nevada, Clark County, and Washoe County. UMR was highly recommended by Nevada large employers with self-funded plans such as ours. Their national network delivers seamless coverage for members living in and outside of the local area. They provide nursing case management with local nurses in most Nevada hospitals. Those employers that currently utilize UMR provided high recommendations regarding their services.

UMR confirmed they can administer the submitted plan design as it exists today. They committed to ensure consistent administration of the benefit plan, whereas Aetna responded that the City of Reno plan matched closely with their plans. Anthem confirmed they could administer the plan with clarification indicating they would "make every effort to replicate current benefits."

Utilizing UMR as our third party administrator provides the opportunity for fully integrated services. UMR will work with the current PBM and Stop Loss contracts and can provide administration of our Health Savings Account (HSA), Flexible Saving Account (FSA), COBRA, online enrollment and many more opportunities for City of Reno employees to have seamless utilization. Making benefits accessible and user friendly will be a firm platform for wellness programs that affect plan sustainability. UMR offers resources and programming for disease management to reap true cost savings and sustainability.

UMR covers 90% of our most utilized providers. While we realize that not all providers will be covered under their network, UMR's open network offers employees the opportunity to utilize providers that may not have been open to them through one of the traditional TPAs. For those

employees that may have providers not in-network, the City will provide concierge referrals of superior quality physicians through our partnership with Included Health.

Financial Implications:

UMR provides a three-year rate cap which promotes stable financial management. While there is an increase, that nominal increase only represents an increase from 2.2 percent to 2.7 percent of our total spend. Savings in other areas support this change. Funds are available in the Self-Funded Medical Fund.

Legal Implications:

Legal review completed for compliance with City procedures and Nevada law. Redactions in the publicly posted version of the proposed agreement with UMR apply to confidential and proprietary models considered trade secrets in the field of insurance coverage and pharmacy benefit management, subject to confidentiality and notice thereof pursuant to the Uniform Trade Secrets Act, NRS 600A.032, and Chapter 439 of the Nevada Administrative Code.

Recommendation:

Staff recommends Council approve the contract for UMR to provide third party administration services for the City of Reno Health Plan.

Proposed Motion:

I move to approve staff recommendation.

Attachments:

Summary of Respondents and Comparison
Working Agreement