

THE BOARD OF SUPERVISORS OF THE COUNTY OF STANISLAUS
ACTION AGENDA SUMMARY

DEPT: Chief Executive Office

BOARD AGENDA # *B-5

Urgent ☐

Routine ☒

AGENDA DATE November 8, 2011

CEO Concurs with Recommendation YES ☒ NO ☐
(Information Attached)

4/5 Vote Required YES ☐ NO ☒

SUBJECT:

Approval to Execute Agreements to Support the County's Self Funded Employee Health Insurance Program with: Ascendant HealthCare for Clinical Data Management Services; Ascendant HealthCare for Memorialization of Management Services; Stanislaus County Partners in Health for Access to a Medical Provider Network and Management Services Related to the Medical Provider Network, and Caremark PCS Health, LLC for Pharmacy Benefit Management Services

STAFF RECOMMENDATIONS:

1. Authorize the Chief Executive Officer to negotiate, finalize and sign a three-year agreement between the County and Ascendant HealthCare for the provision of Clinical Data Management Services for the Stanislaus County employee health insurance program.
2. Authorize the Chief Executive Officer to negotiate, finalize and sign a three-year agreement between the County and Ascendant HealthCare for the memorialization of management services related to the Stanislaus County employee health insurance program.

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FISCAL IMPACT:

The County currently spends approximately \$40.5 million annually for medical insurance coverage with approximately 30% of these costs paid through General Fund departments. There are approximately 3,440 current benefit eligible employees in Stanislaus County who also contribute an estimated \$4.8 million annually to the medical insurance program through premium cost share formulas based on their individual health plan selections. The County also extends the County sponsored medical plans and insurance rates to retired County employees under age 65 (pre-Medicare) and to employees of 10 local

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BOARD ACTION AS FOLLOWS:

No. 2011-693

On motion of Supervisor Chiesa, Seconded by Supervisor Withrow

and approved by the following vote,

Ayes: Supervisors: Chiesa, Withrow, De Martini, and Chairman Monteith

Noes: Supervisors: None

Excused or Absent: Supervisors: None

Abstaining: Supervisor: O'Brien

1) ☒ Approved as recommended

2) ☐ Denied

3) ☐ Approved as amended

4) ☐ Other:

MOTION:



ATTEST: CHRISTINE FERRARO TALLMAN, Clerk

File No.

STAFF RECOMMENDATIONS: (Continued)

3. Authorize the Chief Executive Officer to negotiate, finalize and sign a three-year agreement between the County and Stanislaus County Partners in Health (a nonprofit mutual benefit corporation) for provider network access and management services related to the provider network for the employee health insurance program.
4. Authorize the Chief Executive Officer to negotiate, finalize and sign a three-year agreement between the County and CVS Caremark (Caremark PCS Health, LLC) for Prescription Benefit Management contract.

FISCAL IMPACT: (Continued)

special districts. There are approximately 500 retiree and special district plan participants who pay 100% of their individual premium costs for participation in the County sponsored medical insurance program.

County insurance premiums have increased an average of 11.5% each year since the 2005 plan year under the current fully-insured funding strategy and were projected to increase 12% for the overall employee population in 2012 under the existing health plan structure. On October 18, 2011 the Board of Supervisors adopted a new self-insured funding strategy for employee medical insurance programs effective January 1, 2012. The Board also approved a series of actions to facilitate the creation and implementation of the self-insurance strategy including authorizing the Chief Executive Officer to negotiate all agreements related to the implementation of the self-insured funding strategy.

Implementation of this strategy will support the County's goals for establishing long-term fiscal stability in the employee medical benefits program and providing the County the information necessary to evaluate the overall performance of the program. Based on the implementation of these recommendations, the County expects to maintain an overall cost structure in 2012 similar to the base costs charged in 2011. The net effect of this change will produce savings to the County and employees by avoiding the projected 12% increase in overall insurance premiums in 2012.

As part of the implementation of the self-funded strategy, the County will execute agreements with vendors for the provision of specific services. Multi-year term arrangements with vendors will provide price stability in the new health insurance program for three years. The actual cost of each vendor agreement will depend on the total number of plan participants enrolled in each of the self-funded medical plan options based on the individual medical plan selections employees make during their benefit open enrollment process. At this time, the County is still in the bargaining process with two labor groups to finalize health insurance benefits starting January 1, 2012, and

therefore the total cost projections for each of the recommended vendor contracts will vary depending upon the outcome of those negotiations and individual employee selections during open enrollment. For purposes of projecting costs for the new recommended vendor agreements, County staff have assumed a maximum of 4,000 plan participants (3,500 employees and 500 retirees and special district employees). Although the maximum number of 4,000 participants in each of the new vendor agreements is not a likely outcome based on employees having multiple insurance plan choices during open enrollment, using the maximum 4,000 participants is important to illustrate the maximum costs which could possibly occur under each of the new vendor agreements.

Compensation terms under the vendor agreements are based on the County paying an individual fee Per Contract (or employee) Per Month (PCPM). The PCPM fee represents the amount the County would pay the vendor for each employee who is enrolled in each of the various plan options on a monthly basis. The following is a summary of each of the agreements recommended for negotiation and the maximum cost projections for each agreement assuming the maximum 4,000 plan participants.

Clinical Data Management

Ascendant HealthCare would provide clinical data management services for the County on behalf of all covered persons in the County's self-funded medical program through a three-year Agreement. The fee for this service is \$2.50 PCPM with a maximum projected annual cost of \$120,000.

Stanislaus County Partners in Health

The new Stanislaus County Partners in Health (SCPH) medical plan will provide access to local and national provider networks and all management services related to the medical provider networks. The total fee for this service is \$15.00 PCPM with a maximum projected annual cost of \$720,000. This fee includes funding for the following components of SCPH:

- Network Contracting & Management Services (\$6.50 PCPM)
- Claims Re-pricing Services (\$1.50 PCPM)
- Utilization Management Services (\$4.50 PCPM)
- Integrated Care Management (\$2.50 PCPM)

Pharmacy Benefit Manager (PBM)

The County has conducted an RFP process to evaluate potential vendors to provide PBM services for the self-insured Stanislaus County Partners in Health and Anthem Blue Cross plan options. CVS Caremark was selected as the new PBM vendor based on the RFP process. In the new self-insured funding model, the County will pay CVS Caremark at the contracted rates for all prescription drug costs provided under the SCPH and Anthem Blue Cross plans. For purposes of establishing this new vendor

agreement, County staff are projecting a maximum annual cost under the CVS Caremark agreement of \$12,000,000 per year. The actual cost of the agreement with CVS Caremark will vary significantly based on the number of employees enrolled in the SCPH and Anthem Blue Cross plan options and the individual pharmacy benefit needs for each employee (such as the number of generic drugs dispensed vs. brand name drugs).

Memorialization of Management Services

Ascendant HealthCare would also sign an Agreement whereby the County would be a third party beneficiary to its Agreement with Stanislaus County Partners in Health. This additional agreement is intended to recognize the respective roles of Ascendant HealthCare in their management services related to Stanislaus County Partners in Health and the County's interests in accessing medical provider networks from Stanislaus County Partners in Health. There is no fiscal impact associated with this agreement.

DISCUSSION:

On October 18, 2011 the Board of Supervisors approved a series of five staff recommendations for the formation and implementation of a self-insured program for employee health insurance. Included in those recommendations was authorization for the Chief Executive Officer to negotiate all agreements related to the implementation of the self-insured funding strategy. Staff have worked closely with the County's health insurance consultants, Sidles Duncan & Associates, to continue with implementation of the self-insured program and all associated vendor agreements. The negotiation and finalization of various agreements needs to occur to ensure program aspects such as medical provider network access for County employees, management services for the network, and clinical data management. The Board of Supervisors have already approved an agreement with Capitol Administrators for third party administration services for the new SCPH medical plan to support the open enrollment process for employees starting October 31, 2011. The agreements referenced in this agenda item are necessary to finalize several of the remaining components for the new self-insured healthcare program.

Ascendant HealthCare would provide clinical data management services for the County on behalf of all covered persons in the County's self-funded medical program through a three-year Agreement. Ascendant HealthCare will integrate medical and pharmacy claim data for Kaiser, Anthem Blue Cross and Stanislaus County Partners in Health members into a client data warehouse; review claim data to identify clinical gaps in care; provide access to Virtual Medical Records to network hospitals and physicians; and perform other services related to clinical data management. Ascendant HealthCare would also enter an Agreement with Stanislaus County to memorialize the management services that Ascendant HealthCare will provide to Stanislaus County Partners in

Health, of which the County will be a third-party beneficiary. Recommended negotiation and finalization of these agreements is critical to the County's strategy to combine cost data across multiple health plans to evaluate the actual performance and value of the County's employee healthcare delivery system. These agreements will also ensure the County maintains separation from personal health information for individual employees and is only provided summary reports to evaluate the performance of the new self-insured medical program.

The County is also recommending to negotiate and finalize a three-year Agreement with Stanislaus County Partners in Health, a nonprofit mutual benefit corporation, for access to local and national medical provider networks and network management services. The provider network would consist of providers sufficient in number and distribution to provide for comprehensive health care services to covered persons in Stanislaus County and the surrounding region. Also, Stanislaus County Partners in Health would provide access to a national network for provider services outside of Stanislaus County and the surrounding region. The Agreement would also call for SCPH to manage the medical provider network, including provider recruitment and contracting, claim electronic data interchange, claim re-pricing services, credentialing, utilization management, integrated care management services and other services appropriate to provider network management.

The County has conducted an RFP process to evaluate potential vendors to provide Pharmacy Benefit Management (PBM) services for the self-insured Stanislaus County Partners in Health and Anthem Blue Cross plan options. CVS Caremark was selected as the new PBM vendor based on the RFP process. Kaiser Permanente will continue to provide PBM services to employees enrolled in the Kaiser system.

POLICY ISSUE:

Board approval of the recommendations to authorize the Chief Executive Officer to negotiate, finalize and sign three-year agreements in support of the new self-funded medical plan strategy supports the Board's priorities of A Healthy Community, Efficient Delivery of Public Services and Effective Partnerships.

STAFFING IMPACT:

Existing Chief Executive Office staff will implement the recommendations as outlined in this report.

CONTACT PERSON:

Jody Hayes, Deputy Executive Officer (525-5714)