

ARCHITECTURAL/ENGINEERING/CONSULTANT SERVICES

SELECTION COMMITTEE

Thursday, October 7, 2004

MINUTES

Members Present:

Acting Chairman: William J. Anderson

Public Member: George deTarnowsky

**Agency Representative: Stephen E. Johnston, Deputy Director
>Department of Administration (DOA):**

A quorum being present, the meeting was called to order by the Acting Chairman. The following agenda item was addressed and voted upon by the Committee:

1. Department of Administration (DOA): (8:30 a.m.)

RFP #B04036 – Health Plan Administration for State Employees

Voting Members: W.Anderson, G. deTarnowsky, S. Johnston

Cost: \$674,000,000 (3 yr. contract)

S. Johnston noted that the purpose of the RFP was to solicit a vendor to provide health benefits to the state's more than 16,000 employees, over 9,000 retirees both under and over age 65, and their dependents.

Specifically, the state sought a benefit partner who would meet the following objectives:

- 1. To provide nationwide coverage to state employees, retirees, and their eligible dependents**
- 2. To promote a wellness health program**
- 3. To provide an increased level of accountability regarding the member experience, both in terms of quality care and administration**
- 4. To manage the finances of the health benefit program to optimize the cost and value**

The RFP was sent out on July 8 and final offers received on September 24. The evaluation committee was made up of state employees that represented different agencies: Department of Health and Services, Department of Administration, Department of Human Services, School of Pharmacy, Budget Office and Legal Department, as well as assistance from the Purchasing Department. Hewitt Associates was retained to assist in the evaluation process.

Responses were received from two vendors: Blue Cross and Blue Shield of Rhode Island (BCBS RI) and United Healthcare (United). The evaluation led to the recommendation that United Healthcare be awarded the contract for health plan administration. The overall

proposal score was 81.1 for United vs. 74.9 for BCBS RI. Specifically, the state should contract with United Healthcare for the following reasons:

1. United offered the greatest potential savings in fixed expenses with regard to total administrative fees and fully insured fees. They bid \$1,335,000 less than Blue Cross in year one.

2. Neither carrier was willing to guarantee pharmacy rebates; however, United offered a fee proposal featuring a \$4.50 per employee per month ASO fee pharmacy credit in exchange for United retaining 100% of pharmacy rebates. The pharmacy credit was valued at approximately \$1M in year one and is reflected in the numbers above.

3. United provided the most competitive administrative fee quote (\$1.85M less than BCBS RI in year one, \$6M over three years).

4. United offered the greatest potential savings on pharmaceutical drug expense (\$650,000 less than BCBS RI in year one).

5. United's select pharmacy network includes all retail pharmacies in Rhode Island.

6. United agreed to put 20% of administrative fees at risk (approximately \$1.5M for performance guarantees, while BCBS RI was only willing to put 12% at risk (approximately \$1.1M).

7. United offered to put an additional 15% of administrative fees at risk (approximately \$830,000) to guarantee their network discounts.

8. There is 100% network access to network physicians under United. In addition, approximately 93% of members who utilize services will

not have to change physicians.

9. Finally, United offered to allow cities and towns within the state to obtain health plan administrative services at the same administrative fees offered to the state.

Dr. deTarnowsky raised an issue, and a lengthy discussion followed, regarding Stop-Loss Coverage. Stop-Loss was addressed in the RFP; however, when the State requested Best and Final offers from each vendor, the vendors were not notified that the State did not wish to purchase this coverage. Although each vendor was given the same number of points in this category, Dr. deTarnowsky felt this may have impacted their Best and Final offers.

Recommendation: Upon a motion made by Mr. Johnston and seconded by Mr. Anderson, the Architectural/Engineering/Consultant Services Selection Committee (A/E/CS/SC) accepts the recommendation of the Department of Administration's Technical Review Subcommittee, as approved by the Deputy Director, and sends forward to the Director of Administration for her approval the single name of United Healthcare, the more responsive and responsible of the two firms that responded to the RFP. The vote was two to one with Dr. deTarnowsky opposing the recommendation.

Supporting documentation is on file at the Division of Purchases.

Upon a motion made by Mr. Johnston, seconded by Dr. deTarnowsky

and unanimously carried, the meeting was adjourned at 9:00 a.m.

Gail M. Walsh

Recording Secretary