Memorandum

MIAMI-DADE COUNTY

Date: November 5, 2013

To: Honorable Chairwoman Rebeca Sosa
and Members, Board of County Commissioners

Agenda Item No. 8(F)(12)

From: Carlos A. Gimenez
Mayor

Subject: Recommendation to Reject all Proposals Received: Group Medical Insurance Program

Recommendation

It is recommended that the Board of County Commissioners (Board) approve the rejection of all three proposals received under *Request for Proposals (RFP) 853, Group Medical Insurance Program.* As required by Police Benevolent Association (PBA) collective bargaining agreement, Article 50, this solicitation was issued for a Group Medical Insurance Program to "seek proposals from qualified insurance carriers through a competitive process in order to provide unit members with health insurance options that provide benefits actuarially equivalent to the benefits provided by the County's self-insured plan". Details of this RFP were initially presented to the Finance Committee on March 12, 2013, followed by a detailed memorandum to the Board on March 28, 2013, addressing questions raised by various Commissioners, both during and after the Finance Committee presentation.

All three proposals received were deemed non-responsive by the County Attorney's Office as detailed in the attached memorandum. To achieve actuarial equivalence, proposers were required to offer a benefit program that was to have the same value to members, where member value includes the same out of pocket expense, network accessibility to at least 92 percent of the utilized providers, and a comparative formulary with the same therapeutic categories and copay tiers as the County's Self-funded Program. All three non-responsive proposals included conditional offers that also failed to meet the requirements set forth in the RFP for an actuarially equivalent program.

Going forward, my administration intends to conduct a new Group Medical Insurance Program RFP that looks to lower costs.

Scope

The impact of this item would have been countywide in nature.

Fiscal Impact/Funding Source

The fiscal impact of the total two-year contract term would have been $20,000,000. The allocations were budgeted as follows:

Department	Allocation	Funding Source	Contract Manager
Internal Services	$ 20,000,000	Health Insurance Trust Fund	Daniel Cullen
Total	**$ 20,000,000**		

Track Record/Monitor

The contract manager is listed in the table above. Annie Perez of the Internal Services Department is the Procurement Contracting Manager.

Vendors Not Recommended for Award

Proposers	Reason for Not Recommending
Aetna Life Insurance Company	Proposals were deemed non-responsive by the County Attorney's Office opinion (attached)
Humana Insurance Company and Humana Health Plan, Inc.	
UntedHealthcare Services Inc.	

Applicable Ordinances and Contract Measures

- The User Access Program provision did not apply.
- A Selection Factor and the Local Preference Ordinance were included in the solicitation.
- The Living Wage Ordinance did not apply.

Edward Marquez
Deputy Mayor

MIAMI-DADE
County Attorney

Memorandum

To: Annie Perez, Contracting Manager
Miami-Dade County
Internal Services Department

From: Hugo Benitez
Assistant County Attorney

Date: July 17, 2013

Re: Responsiveness Group Medical Insurance Program - RFP No. 853

You have asked for a written opinion addressing the responsiveness of various proposals offered in connection with the referenced Request for Proposals (the "RFP"). For the reasons set forth below, we find the proposals of Aetna Life Insurance Company ("Aetna"), Humana Insurance Company and Humana Health Plan, Inc. ("Humana" and "Humana, Inc." respectively) and United Health Care Services, Inc. ("United") not responsive to the RFP.

BACKGROUND

In issuing this opinion, we have relied in the facts set forth in your memorandum dated June 12, 2013, the e-mail correspondence of the County's actuarial consultant dated June 4, 2013, the review of the applicable specifications of the RFP and the proposals offered, and our oral communications in the course of various meetings.

The County issued the RFP in May, 2013 with proposals due on or about May 23, 2013. The purpose of the RFP was to solicit group medical insurance programs that are "actuarially equivalent" to be offered to employees as an alternative option, at the County's sole discretion, to the self-funded medical program currently offered to employees. *RFP Section 1.1.* The County's self-funded plan was to remain in effect. *Id.* Actuarially equivalent is defined as a program with the same value to members where at least 92% of the existing providers were accessible in the proposed network, comparable formulary, and equivalent copayment tiers. *RFP Section 1.2.* Proposers were required to submit actuarially equivalent program options for all six existing plan designs offered to employees, including POS, High HMO and Low HMO. *RFP Section 1.; Addendum 3.* To preserve the County's flexibility, proposers were alerted to the fact that certain employees may opt out of the offered plans, and that the County could award one or more plans and specifically instructed the proposers to price options without reference to minimum participation requirements. *RFP Form B-1; B-2.*

Annie Perez
July 17, 2013

ANALYSIS

The three proposals received contain material deviations from the County requirements and are not responsive to the solicitation:

1. Aetna. Aetna's proposal contains three material deviations any one of which, standing alone, would render the proposal not responsive. Aetna conditions its price proposal in contravention of Form B-1 and its specific instructions. In the consultant's analysis, Aetna's formulary is less favorable than the County's current existing plan providing for different copayment tiers in violation of the requirement and falling short of the requirement that it be "comparable". Aetna, also in violation of the express requirements of the specification proposed on only three of the six required plan designs.

2. Humana and Humana, Inc. The proposal of these entities is also not responsive for a number of reasons. Preliminarily, the proposal appears to be from two different entities. This is a violation of the RFP requirements for submittal and ultimately makes the nature of the offer uncertain as it is unclear which entity is offering to contract with the County and on what terms. Like Aetna's, the proposal is conditioned on minimum participation in violation of the RFP. Beyond that, Humana and Humana Inc. provide an effective date of only ninety (90) days to the proposal, failed to submit information to determine the actuarial equivalence of the offer, and the consultant was able to determine based on the information reported that the proposal did not meet the required 92% threshold.

3. United. Like the other two, United conditioned its pricing on participation assumptions in violation of the terms of the RFP. It conditioned the pricing on award within ninety (90) days. It proposed on only four of the required six plan designs. Lastly, United failed to provide a complete formulary plan and the consultant has advised that the formulary plan appears to provide higher copayments than the existing one for many of the medications.

For the reasons set forth above, we believe the proposals to be not responsive to the RFP. The deviations detract from the County's ultimate objective in issuing the solicitation, which was to evaluate proposals for plans which would coexist with the County's existing plan to be offered to our employees an actuarially equivalent alternative. The offered plans all provided pricing assumptions that contravene the instructions of the RFP and are impossible to quantify given the ultimate uncertainty of what choices would be exercised by our employee pool. Beyond that, the proposers failed to propose "actuarially equivalent" plans, including all plan options, as required by the RFP.

Hugo Benitez
Assistant County Attorney

Memorandum

MIAMI-DADE COUNTY

Date: June 12, 2013

To: Hugo Benitez
Assistant County Attorney
County Attorney's Office

From: Annie Perez
Procurement Contracting Manager
Department of Procurement Management

Subject: Request for Legal Opinion: RFP No. 853, Group Medical Insurance Program

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On May 24, 2013 proposals were received for RFP No. 853 and subsequently reviewed for responsiveness. The following issues were identified for three Proposers:

1) **AETNA Life Insurance Company**

   a) The firm states in Form B-1 Self-funded Price Proposal Schedule, "Fees above are based on actual enrollment of 33,088 employees; however we have provided bracketed fees as well." The firm also states in their AETNA Financial Quote document, "There is a minimum requirement of 250 enrolled employees for administration of the proposed self-funded plan." Additionally, the firm states "We reserve the right to recalculate the guaranteed fees using our then current book of business formula under the circumstances described below. Aetna may recalculate: 1) If for any product: a) there is a 15% decrease in the number of employees in aggregate from our enrollment assumptions, or from any subsequently reset enrollment assumptions. b) The member-to-employee ratio increases by more than 15%. We have assumed a member-to-employee ratio of: 1.89 for Aetna Select/Aetna Select Open Access, 1.13 for Choice POS II."

   b) Aetna listed in the Prescription Drug Match Analysis, Top 100 Retail Drugs by Plan Paid and Top 100 Retail Drugs by Total Claims exhibit, 25% and 12% of prescription drugs that are on a lower tier than the County's current formulary respectively. Additionally 21% of the drugs on the County's current formulary were on a higher tier under the Aetna formulary. Therefore, Aetna's formulary would not be considered comparative.

   c) The firm proposed on three (3) of the required six (6) plan designs.

Vs.

County:

   a) **Form B-1, Self-funded Price Proposal Schedule:**
   Note 8: All fees shall be guaranteed for a minimum of 24 months (the initial 2 Plan Years). Fees shall not be contingent upon minimum participation requirements or the County's acceptance of any exceptions by Proposer.

   b) **Section 1.1 of Solicitation:**
   For purposes of this Solicitation, an Actuarially Equivalent Program is a program in which the benefits are actuarially equivalent to the plans currently offered by Miami-Dade County or Jackson Health System (JHS) to employees, dependents and retirees. In offering an Actuarially Equivalent Program, Proposers must consider the existing plan designs, network/utilized providers and formulary compositions.

Section 1.2 of Solicitation:
The words "Actuarially Equivalent Program" to mean a benefit program, that is determined by the County, in its sole discretion, to have the same value to members, where member value includes the same out of pocket expense, network accessibility of at least 92% of the utilized providers and a comparative formulary with the same therapeutic categories and copay tiers as the County's Self-funded Program.

c) **Section 1.1 of Solicitation as amended in Addendum No. 3:**
"In offering an Actuarially Equivalent Program, Proposers may propose on either a Self-funded Program or a Fully Insured Program, or both. Proposers shall submit Actuarially Equivalent Program options for all six (6) plan designs (POS, High HMO, Low HMO, Low Option, High Option with Prescription, and High Option without Prescription) currently offered by Miami-Dade County or Jackson Health System (JHS) to employees, dependents, and retirees, in their proposal(s) **(see Attachments E and E1, Plan Designs)**. The County is not interested in proposals that offer only one or two of the above plan designs offered by the County. The Proposer must offer all six (6) plan designs (POS, High HMO, Low HMO, Low Option, High Option with Prescription, and High Option without Prescription) for each Actuarially Equivalent Program (Self-funded and/or Fully Insured) the Proposer is proposing for.

2) **Humana Insurance Company and Humana Health Plan, Inc.**

a) 1) In Form A-1 under Proposer's Name, the Proposer is listed as two firms, Humana Insurance Company and Humana Health Plan, Inc. with each firm listing a different Federal Employer Identification Number. 2) The proposal included a document titled "Humana Offering Company Statement" where the firms state: "The benefits outlined in this proposal are offered by the following companies, hereafter referred to collectively as "Humana": Self-funded National POS – Open Access plans in Florida are administered by Humana Health Plan, Inc.; Self-funded HMO plans in Florida are administered by Humana Insurance Company. Note that Humana Inc. is the ultimate parent company and not an offering company."

b) In Section II of the proposal, page 115, in response to item No. 175, the firms state: "Quoted Administrative fees assume minimum enrollment with Humana of 15,000 subscribers (employees and/or retirees)."

c) In Section IV. (B) of the proposal, page 5, the firms state "This proposal expires in 90 days or on the effective date of the proposal, whichever date is earliest."

d) 1) The firms did not submit Exhibit 3 Medical/Pharmacy Repricing Analysis and Exhibit 4A, Prescription Drug Match Analysis is incomplete. The firms state in Section IV (C) of the Proposal "Humana has completed Exhibit 3, Medical and Pharmacy Re-pricing Analysis. This information is considered proprietary to Humana; however, will be released to the consultant upon request". 2) The analysis conducted by the County's Benefits Consultant, of the firms' response to Exhibit 1, Medical Provider Disruption shows that Humana did not meet the 92% threshold as required in the Solicitation.

Vs.

County:

a) **Section 1.2 of Solicitation:**
The word "Proposer" to mean the person, firm, entity or organization, as stated on Form A-1, submitting a response to this Solicitation.

b) **Form B-1, Self-funded Price Proposal Schedule:**
Note 8: All fees shall be guaranteed for a minimum of 24 months (the initial 2 Plan Years). Fees shall not be contingent upon minimum participation requirements or the County's acceptance of any exceptions by Proposer.

c) **Section 1.3 of Solicitation:**
Proposals shall be irrevocable until contract award unless the proposal is withdrawn. A proposal may be withdrawn in writing only, addressed to the County contact person for this Solicitation, prior to the proposal due date or upon the expiration of 180 calendar days after the opening of proposals.

d) **Section 1.1 of Solicitation:**
For purposes of this Solicitation, an Actuarially Equivalent Program is a program in which the benefits are actuarially equivalent to the plans currently offered by Miami-Dade County or Jackson Health System (JHS) to employees, dependents and retirees. In offering an Actuarially Equivalent Program, Proposers must consider the existing plan designs, network/utilized providers and formulary compositions.

Section 1.2 of Solicitation:
The words "Actuarially Equivalent Program" to mean a benefit program, that is determined by the County, in its sole discretion, to have the same value to members, where member value includes the same out of pocket expense, network accessibility of at least 92% of the utilized providers and a comparative formulary with the same therapeutic categories and copay tiers as the County's Self-funded Program.

Additionally, without the information requested in Exhibit 3 Medical/Pharmacy Repricing Analysis, the County's Benefits Consultant would not be able to make a determination of actuarial equivalence for any benefits involving coinsurance.

3) **<u>UnitedHealthcare Services Inc.</u>**

a) 1) The firm states in Form B-1 Self-funded Price Proposal Schedule in the Total Administrative Fees for Plan Year 2014 and Plan Year 2015, "26.56 pepm (based on 10k subs or greater" for Plan Year 2014 and "$27.35 pepm (based on 10k subs or greater). 2) Additionally, the firm provides 2014, 2015 and 2016 tiered Self-funded Administrative Fees based on enrollment levels. 3) The firm states in the ASO Administrative Fee Components, ""The Quote is based on the following assumptions. Changes to these assumptions may result in an adjustment to the rates or revocation of the quote." One of the assumptions listed is "Quote assumes 36,326 subscribers 60664 members and an average contract size of 1.67. UnitedHealthcare reserves the right to adjust the rates if the enrollment at issue varies by +/- 10% from the submitted census."

b) The firm states in the ASO Administrative Fee Components, "The Quote is based on the following assumptions. Changes to these assumptions may result in an adjustment to the

rates or revocation of the quote." One of the assumptions listed is "UnitedHealthcare is the only carrier offered."

c) 1) The firm states in the ASO Administrative Fee Components, "The Quote is based on the following assumptions. Changes to these assumptions may result in an adjustment to the rates or revocation of the quote." One of the assumptions listed is "UnitedHealthcare reserves the right to adjust the rates if an award is not made within 90 days of the issuance of this quotation." 2) The firm states in the UnitedHealthcare Choice Network Savings Guarantee, page 2, UnitedHealthcare reserves the right to revise this quotation under the following circumstances: An award is not made within 90 days of the issuance of this quotation."

d) 1) The firm did not submit Exhibit 3 Medical/Pharmacy Repricing Analysis and Exhibit 4A, Prescription Drug Match Analysis is incomplete. 2) UnitedHealthcare listed in the Prescription Drug Match Analysis, Top 100 Retail Drugs by Plan Paid and Top 100 Retail Drugs by Total Claims exhibit, 40% and 20% of prescription drugs that are on a lower tier than the County's current formulary respectively. Therefore, UnitedHealthcare's formulary would not be considered comparative.

e) The firm proposed on four (4) of the required six (6) plan designs.

Vs.

County

a) Form B-1, Self-funded Price Proposal Schedule:
Note 8: All fees shall be guaranteed for a minimum of 24 months (the initial 2 Plan Years). Fees shall not be contingent upon minimum participation requirements or the County's acceptance of any exceptions by Proposer.

b) Section 1.1 of Solicitation:
At the sole discretion of the County, and in the County's and its employee's best interest, the County may elect one or more Actuarially Equivalent Program options from multiple carriers, which may result in the award of one or more contracts.

c) Section 1.3 of Solicitation:
Proposals shall be irrevocable until contract award unless the proposal is withdrawn. A proposal may be withdrawn in writing only, addressed to the County contact person for this Solicitation, prior to the proposal due date or upon the expiration of 180 calendar days after the opening of proposals.

d) Section 1.1 of Solicitation:
For purposes of this Solicitation, an Actuarially Equivalent Program is a program in which the benefits are actuarially equivalent to the plans currently offered by Miami-Dade County or Jackson Health System (JHS) to employees, dependents and retirees. In offering an Actuarially Equivalent Program, Proposers must consider the existing plan designs, network/utilized providers and formulary compositions.

Section 1.2 of Solicitation:
The words "Actuarially Equivalent Program" to mean a benefit program, that is determined by the County, in its sole discretion, to have the same value to members, where member value includes the same out of pocket expense, network accessibility of at least 92% of

the utilized providers and a comparative formulary with the same therapeutic categories and copay tiers as the County's Self-funded Program.

Additionally, without the information requested in Exhibit 3 Medical/Pharmacy Repricing Analysis, the County's Benefits Consultant would not be able to make a determination of actuarial equivalence for any benefits involving coinsurance.

e) **Section 1.1 of Solicitation as amended in Addendum No. 3:**
"In offering an Actuarially Equivalent Program, Proposers may propose on either a Self-funded Program or a Fully Insured Program, or both. Proposers shall submit Actuarially Equivalent Program options for all six (6) plan designs (POS, High HMO, Low HMO, Low Option, High Option with Prescription, and High Option without Prescription) currently offered by Miami-Dade County or Jackson Health System (JHS) to employees, dependents, and retirees, in their proposal(s) **(see Attachments E and E1, Plan Designs)**. The County is not interested in proposals that offer only one or two of the above plan designs offered by the County. The Proposer must offer all six (6) plan designs (POS, High HMO, Low HMO, Low Option, High Option with Prescription, and High Option without Prescription) for each Actuarially Equivalent Program (Self-funded and/or Fully Insured) the Proposer is proposing for.

Benitez, Hugo (CAO)

From: Perez, Annie (ISD)
Sent: Thursday, June 20, 2013 11:35 AM
To: Benitez, Hugo (CAO)
Subject: FW: Medical RFP - Actuarial Equivalence

Hi Hugo.

Per your request, please see the email below from the County's consultant regarding actuarial equivalence.

Annie Perez
Procurement Contracting Manager
Miami-Dade County
Internal Services Department
111 NW 1st Street, Suite 1300
Miami, FL 33128
Tel: 305-375-1620
http://www.miamidade.gov/dpm/
"Delivering Excellence Every Day"

From: Martin, Na'Imah (ISD)
Sent: Tuesday, June 04, 2013 1:14 PM
To: Perez, Annie (ISD)
Subject: FW: Medical RFP - Actuarial Equivalence

Na'Imah Martin, PHR
Benefits Manager
Miami Dade County, Internal Services Department
111 NW 1st Street, Suite 2340, Miami, FL 33128
305-375-4288 Phone
nalmahm@miamidade.gov
"Delivering Excellence Every Day"

From: Glen Volk [mailto:Glen_Volk@ajg.com]
Sent: Tuesday, June 04, 2013 12:48 PM
To: Martin, Na'Imah (ISD)
Cc: Barbara Crowe
Subject: Medical RFP - Actuarial Equivalence

Hi Na'Imah:

I reviewed the exhibits we did and did not receive and here are my additional thoughts on the whole issue of actuarial equivalence. I will go though the vendors alphabetically.

Aetna provided all of the related exhibits. The provider disruption meets the standard established by the RFP, but the pharmacy is not so clear cut. On the list of top retail drugs, for example, drugs that are on a lower tier under the Aetna formulary than the current formulary total 25% of the top drugs by claim dollars and 12% of the top drugs by number of claims. 21% of the drugs on the current total formulary were on a higher tier under the Aetna formulary. The RFP requires that the formularies be "comparative".

Aetna did provide the medical and pharmacy re-pricing exhibits as requested.

Humana did not provide all of the related exhibits. They did prepare the provider disruption exhibit and the results did not meet the 92% matching threshold set out in the RFP. They did not complete the formulary exhibits or the re-pricing exhibits.

United prepared most of the requested exhibits. Their provider disruption analysis met the 92% matching threshold set out in the RFP. On the pharmacy match, 40% of the top 100 retail drugs as measured by dollars, and 20% as measured by the number of claims, are at a lower tier under the UHC formulary than under the AvMed formulary. UHC did not complete the total formulary match. UHC did provide the medical and pharmacy re-pricing exhibits.

Based on this, I don't believe that Humana has satisfied the actuarial equivalence definition contained in the RFP, and I believe the pharmacy disruption on the UHC plan is also too high to be considered "comparative". Aetna is closer, but given the County's history and my understanding of the rationale that went into the definition of actuarial equivalence used in the RFP, I believe that even Aetna's formulary would not be considered comparative. The County did not want vendors to submit limited networks or formularies that might be more attractive to only a healthier than average subset of employees. The requirement that the match between current and proposed networks and formularies be very high was an attempt to prevent this. It is certainly a high standard for vendors to meet, but it was necessary to prevent the existing plan from being selected against. There is no question that there is the potential for the County to save money through the use of narrower networks and tighter formularies if done on a consistent basis, but the point of this RFP was to request coverage that did not vary significantly from the current plans.

In addition, as we discussed previously, all 3 bidders quoted fees that are contingent on the number of enrollees, in direct violation of the County's clearly stated requirement that fees not be contingent on enrollment.

Let me know if you would like to discuss any of this.

Glen R. Volk, FSA, MAAA
Area Vice President & Consulting Actuary
2255 Glades Rd, Ste 200E
Boca Raton, FL 33431
Phone: 561-998-6755
Fax: 561-995-6708

MEMORANDUM

(Revised)

TO: Honorable Chairwoman Rebeca Sosa
and Members, Board of County Commissioners

DATE: November 5, 2013

FROM: R. A. Cuevas, Jr.
County Attorney

SUBJECT: Agenda Item No. 8(F)(12)

Please note any items checked.

_____	**"3-Day Rule" for committees applicable if raised**
_____	**6 weeks required between first reading and public hearing**
_____	**4 weeks notification to municipal officials required prior to public hearing**
_____	**Decreases revenues or increases expenditures without balancing budget**
_____	**Budget required**
_____	**Statement of fiscal impact required**
_____	**Ordinance creating a new board requires detailed County Mayor's report for public hearing**
_____	**No committee review**
_____	**Applicable legislation requires more than a majority vote (i.e., 2/3's ____, 3/5's ____, unanimous _____) to approve**
_____	**Current information regarding funding source, index code and available balance, and available capacity (if debt is contemplated) required**

Approved _____ Mayor
Veto _____
Override _____

Agenda Item No. 8(F)(12)
11-5-13

RESOLUTION NO. _____

RESOLUTION AUTHORIZING THE REJECTION OF ALL PROPOSALS RECEIVED IN RESPONSE TO RFP853 FOR GROUP MEDICAL INSURANCE PROGRAM

WHEREAS, this Board desires to accomplish the purposes outlined in the accompanying memorandum, a copy of which is incorporated herein by reference,

NOW, THEREFORE, BE IT RESOLVED BY THE BOARD OF COUNTY COMMISSIONERS OF MIAMI-DADE COUNTY, FLORIDA, that this Board approves the rejection of all proposals received in response to Request for Proposals No. 853 for Group Medical Insurance Program.

The foregoing resolution was offered by Commissioner , who moved its adoption. The motion was seconded by Commissioner and upon being put to a vote, the vote was as follows:

Rebeca Sosa, Chairwoman
Lynda Bell, Vice Chair

Bruno A. Barreiro	Esteban L. Bovo, Jr.
Jose "Pepe" Diaz	Audrey M. Edmonson
Sally A. Heyman	Barbara J. Jordan
Jean Monestime	Dennis C. Moss
Sen. Javier D. Souto	Xavier L. Suarez
Juan C. Zapata	

The Chairperson thereupon declared this resolution duly passed and adopted this 5th day of November, 2013. This resolution shall become effective ten (10) days after the date of its adoption unless vetoed by the Mayor, and if vetoed, shall become effective only upon an override by this Board.

MIAMI-DADE COUNTY, FLORIDA
BY ITS BOARD OF
COUNTY COMMISSIONERS

HARVEY RUVIN, CLERK

By:_____
Deputy Clerk

Approved by County Attorney as
to form and legal sufficiency.

Hugo Benitez