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MIAMI BEACH

City of Miami Beach, 1700 Convention Center Drive, Miami Beach, Florida 33139, www.miamibeachfl.gov

COMMITTEE MEMORANDUM

TO: Finance & Citywide Projects Committee Members

FROM: Jimmy L. Morales, City Manager 

DATE: January 7, 2015

SUBJECT: **FOLLOW-UP DISCUSSION REGARDING OPTIONS TO REINTEGRATE THE BAPTIST HOSPITAL NETWORK AMONG PROVIDERS AVAILABLE TO CITY EMPLOYEES**

BACKGROUND

On December 12, 2014, after discussion regarding options to reintegrate the Baptist Hospital Network among providers available to City employees (see attachment) the Finance and Citywide Projects Committee (FCWPC) directed staff to work with AvMed to cohabitate with Humana, and issue an Invitation to Negotiate (ITN) to gauge other carriers' interest in working with the City as of the benefit plan year beginning October 1, 2015.

DISCUSSION

Shortly after the FCWPC's recommendation to issue an ITN, AvMed advised the Administration, through the City's benefits consultant, Gallagher Benefits Services (Gallagher), that implementation was too costly and labor-intensive to provide the service for only a guaranteed six-month period (March to September).

As an administrative services only (ASO) provider, AvMed, or any other such provider, would have to:

- Establish an account structure for five medical plans with three separate divisions: active employees; retirees and those former employee or dependents now covered through COBRA
- Configure each plan to include the identification of covered services, exclusions, limitations, authorization requirements, age restrictions and limits
- Create funding invoices to meet the City's requirements
- Establish group-specific bank accounts
- Assign an experienced management team to be trained in the City's medical, finance and specific benefit designs and exclusions
- Notify key network providers of the City's benefit packages
- Train an AvMed representative to be onsite to assist during open enrollment
- Develop and produce materials, including provider directories, benefits comparisons and benefit and coverage summaries
- Create and distribute ID cards

- Set up dedicated phone lines for the anticipated participants' use during the open enrollment period
- Identify employees who elect to be covered through AvMed to determine if they need transition of care, case management, disease management, specialty pharmacy or home health services to assign case managers to reach out to them

To meet the March 1 deadline, whether with AvMed or any other provider, the City and provider staff will have to focus their energies full-time to have a successful two-week open enrollment period, February 9 through February 20, for coverage to begin March 1.

Since the City has been self-insured, Humana has been its ASO provider. The addition of a second provider will prove disruptive to employees who will now be faced with selecting not only a plan, but also a provider. Assuming that as a result of the ITN, the City enters into an agreement with a third provider, with annual open enrollment scheduled for July/August, it is reasonable to anticipate most employees will find the process daunting.

RECOMMENDATION

Based on AvMed's feedback regarding the possibility of not having a long-term relationship with the City, and with an understanding of the work any provider will have to engage in to cohabitate with Humana for a six-month period, it is reasonable to expect that cohabitation for a guaranteed period of only six months will prove impractical to any provider.

Therefore, the most practical and least disruptive recommendation is for Humana to assist members in finding in-network practitioners to replace their former Baptist affiliated health care providers and for the City to issue the ITN for implementation with the new benefit plan year, effective October 1.

CONCLUSION

This information is provided for your discussion and direction.

Attachments

JLM/KGB/SC-T

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City of Miami Beach, 1700 Convention Center Drive, Miami Beach, Florida 33139, www.miamibeachfl.gov

COMMITTEE MEMORANDUM

TO: Finance & Citywide Projects Committee Members

FROM: Jimmy L. Morales, City Manager 

DATE: December 12, 2014

SUBJECT: **DISCUSSION REGARDING OPTIONS TO REINTEGRATE THE BAPTIST HOSPITAL NETWORK AMONG PROVIDERS AVAILABLE TO CITY EMPLOYEES**

BACKGROUND

Effective August 14, 2014, negotiations between Humana, the City's Administrative Services Only (ASO) carrier, and the Baptist network ended in a deadlock. As a result, all Baptist Hospitals, physicians and associated health care practitioners are out of network providers for City of Miami Beach employees who take advantage of the health care coverage benefits associated with employment with the City.

Based on a report showing employees and retirees living south of 56 Street (as they are closer to Baptist Hospital than any other health care facility in the area) 24% are affected by this change.

Claims associated with Baptist providers represents between 9.9% - 17.7% of health plan spending between 2011 through June 2014.

To address the needs of affected employees in the most expeditious way, staff looked at piggybacking on an existing ASO contract with another public sector entity. The contract between Miami-Dade County and AvMed appeared to be the most promising as the rates are competitive and the network in the tri-county area extensive, including Baptist and its affiliated providers.

The City considered piggybacking the County's contract and discarded the option due to the fact that by definition piggybacking requires that the City adopt the County's program as is. Given the differences between what the County and the City offer and the confusion that moving to a completely different program within a benefit plan year that just began would create, the City and its advisors, Gallagher Benefits Services (Gallagher) thought is best not to abandon Humana altogether but to explore three other options.

BAPTIST IN-NETWORK SOLUTIONS

The Administration is seeking the FCWPC's recommendation as to which of the three available options the City should pursue. They include:

1. No change in carrier – staying with Humana and encouraging the organization to make

every effort to re-engage Baptist as a network provider.

2. Co-habitate – contract with AvMed as a second carrier with Humana. The considerations regarding this option include verifying that AvMed will offer the City the same administrative fees as the County and that Humana will participate in a dual carrier offering. Gallagher would have to request a full re-pricing of claims by AvMed to assess the financial implication of a partial replacement and analyze the access and disruption of providers comparing the AvMed and Humana networks to educate employees who might elect coverage through AvMed; implement the City's current plan designs on AvMed's platform and assess the financial implications of prescription management (rebate credits/pricing) and whether it could be provided on a dual carrier offering and/or if it is more advantageous or even possible to continue with a single carrier for prescription management.
3. Migrate to AvMed - via negotiations as only carrier.

Attached for your review is a schematic of the options and the considerations related to each.

CONCLUSION

This information has been provided for your discussion and direction.

Attachment

JLM/KGB/SC-T

City of Miami Beach Health Plan Options

	Option 1 – Status Quo	Option 2 – Co-Habitate ¹	Option 3 – Migrate to AvMed via Negotiations ¹
Contract/Procurement Methodology	No Change	Contract directly with AvMed as second carrier (as a stand alone agreement, not piggybacked with Miami Dade County)	Contract directly with AvMed as only carrier
Plan Structure	No Change	Prescription formulary and discounts may adjust slightly	The City may implement the current plan designs but prescription formulary and discounts may adjust slightly
Implementation Timeline	None	Allow AvMed set up, open enrollment for open enrollment, employee education and member card production 3/1/2015	Contract end date with Humana, begin contract with AvMed for benefit plan year beginning October 1, 2015
Administrative Plan Cost	1500 Enrollments x \$39.48 = \$59,220 x 12 = \$710,640	Humana Admin Fee \$39.48; AvMed Admin Fee \$32.08; Current Enrollment is 1,500. Assume 25% of enrollment migrates to AvMed. Humana 11,125 (\$39.48 x 1,125) = \$44,415 x 12 = \$532,980 and AvMed 375 (\$32.08 x 375) = 144,360. Total \$677,340	1500 Enrollments x \$32.08 = \$48,120 x 12 = \$577,440
Other Pertinent Factors to Consider / Items that Gallagher is Addressing with AvMed and/or Humana	– City employees, retirees, and their dependents will only have access to Baptist on an out-of-network basis	– Verify that the current administrative fees illustrated above will not change under a dual carrier offering and that Humana will participate in a dual carrier offering	– Verify that the current administrative fee paid by the County will be offered to the City in 2016
	– Per Humana, they are actively working to re-contract with Baptist but as of now there is no short-term possibility (1 – 3 months) of this occurring	– Request a full re-pricing of claims by AvMed to assess the financial implications of a partial replacement	– Request a full re-pricing of claims by AvMed to assess the financial implications of a full replacement
		– Analyze the access and disruption of providers comparing the AvMed and Humana networks to educate those employees who might choose AvMed	– Analyze the access and disruption of providers comparing the AvMed and Humana networks
		– Implement the City’s current plan designs on AvMed’s platform	– Implement the City’s current plan designs on AvMed’s platform while working with AvMed on the Rx Formulary design
	– Assess the financial implications of prescription management (rebate credits/pricing) and whether prescription management could also be provided on a dual carrier offering and/or if it is more advantageous or even available to continue with a single carrier	– Assess the financial impact of the run-out provisions in the Humana contract (8% of claims for 2 months to process 12 months of run-out)	
¹ AvMed received the medical claims file on December 2nd, 2014 - Gallagher expects a timeline from within the next 1 - 3 business days. The correct claims file layout was received from Humana on December 1st, 2014.			