



# City of San Antonio

## Agenda Memorandum

**File Number:** 13-1074

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**Agenda Item Number:** 39.

**Agenda Date:** 12/5/2013

**In Control:** City Council A Session

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**DEPARTMENT:** Human Resources

**DEPARTMENT HEAD:** Joe Angelo, Chief Human Resources Officer

**COUNCIL DISTRICTS IMPACTED:** City-wide

### **SUBJECT:**

United Healthcare Services - Contract Amendment and Extension

### **SUMMARY:**

This Ordinance authorizes the City Manager or her designee to execute an amendment and second extension of the contract with United HealthCare Insurance Company, in an estimated annual amount of \$4,368,318 to provide Third Party Administration (TPA) for the City's self-funded medical plans, Health Savings Account (H.S.A.), Flexible Spending Account (FSA), Prescription Benefit Management (PBM) services, subcontracting services of health miles program through Virgin Pulse, Healthy Rewards telephonic coaching and reporting, Preferred Provider Organization (PPO), Total Health Management, and one additional onsite health coach. The City Manager or designee may extend the contact for the remaining one year extension.

### **BACKGROUND INFORMATION:**

The City of San Antonio offers medical and prescription benefit plans to approximately 10,000 civilian and uniformed full-time active employees along with 350 civilian and pre-1989 Fire and Police retirees (since 1989, the City pre-funds health care for uniform retirees). The services of a TPA and PBM are utilized to process medical, prescription and flexible spending claims for the approximately 25,000 covered lives, including dependents, and reduce health care costs resulting from contracted provider discounts, utilization review, large case management, wellness programs and disease management. Beginning January 1, 2013, the addition of administrative services for Healthy Rewards with Outcomes Program, subcontracting services with Virgin

Pulse and administration of H S A and HRA were used to complement health care plan design changes and wellness initiatives.

The current contract with UnitedHealthcare Insurance Company for TPA and PBM services for the self-funded medical plan expired on December 31, 2012. The first extension was exercised on November 8, 2012; Ordinance No. 2012-11-08-0879 for the period January 1 through December 31, 2013. The contract has an option for a second one year extension. This is the second such extension including an amendment for an additional onsite health coach.

#### **ISSUE:**

The alternative to awarding this contract extension will be to obtain a new contract. A new contract will require the completion of an RFP process, which will result in delay or disruption of services for the 2014 plan year.

#### **ALTERNATIVES:**

The alternative to awarding this contract extension will be to obtain a new contract. A new contract will require the completion of an RFP process, which will result in delay or disruption of services for the 2013 plan year.

#### **FISCAL IMPACT:**

This ordinance authorizes an amendment and second contract extension with UnitedHealthcare Insurance Company for third party administration services for employee, retirees, and dependents for an estimated annual amount of \$4,368,318. This contract will be funded from the Employee Benefits Insurance Fund. Funds in the amount of \$3,276,238 for the first nine months of the contract are included in the Employee Benefits Insurance Fund FY 2014 Adopted Budget. An estimated \$1,092,080 for the remaining three months will be authorized in FY 2015, contingent upon City Council approval of the FY 2015 Budget.

#### **RECOMMENDATION:**

Staff recommends approval of this ordinance to execute an amendment and second contract extension with UnitedHealthcare Insurance Company for a term beginning January 1, 2014 and ending on December 31, 2014 subject to and contingent upon approval by City Council.