



City of San Antonio

Agenda Memorandum

File Number: 15-1921

Agenda Item Number: 25.

Agenda Date: 3/12/2015

In Control: City Council A Session

DEPARTMENT: Human Resources

DEPARTMENT HEAD: Lori Steward, Interim Human Resources Director

COUNCIL DISTRICTS IMPACTED: City Wide

SUBJECT:

United HealthCare Services - Contract Amendments

SUMMARY:

This Ordinance authorizes the City Manager or her designee to execute an amendment extending the term of the contract with United HealthCare Insurance Company (UHC), the City's Third Party Administrator for the City's self-funded medical plans, for one additional year through Plan Year 2016, and amends the fee terms for Plan Year 2016 to reduce administrative fees to the City, resulting in an estimated net fee paid to UHC of approximately \$4.1 million in 2016.

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 Third Party Administrator (TPA) and Pharmacy Benefits Manager (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, subcontracting services with Virgin Pulse and administration of Health Savings Accounts (HSA) was used to complement health care plan design changes and wellness initiatives.

The contract with UHC for TPA and PBM services for the self-funded medical plan commenced on January 1, 2008 for a five year term and included two one year options for extension. Both options for extension have been exercised and the current contract expired on December 31, 2014. An amendment for an extension through December 31, 2015 was approved by Council pursuant to Ordinance #2014-04-17-0264.

The City's collective bargaining agreements with the San Antonio Police Officers Association (SAPOA) and the San Antonio Professional Firefighters Association (SAPFFA) expired on September 30, 2014. Because the City is currently actively involved in negotiations with SAPOA and has yet to begin negotiating with SAPFFA, it is recommended that the TPA and PBM agreement be extended to provide continuity in these services. In addition to the extension in term, the fees for the proposed amendment have been renegotiated and decreased for calendar year 2016.

ISSUE:

This Ordinance would approve a one year extension to the TPA and PBM agreement with United Healthcare and approve a reduced TPA fee for calendar year 2016.

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 could result in delay or disruption of services for the 2016 plan year.

FISCAL IMPACT:

Funds are included in the FY 2015 Employee Benefits Insurance Fund for the current contract. Expenditures for the proposed contract amendment are contingent upon City Council appropriations for the annual budgets for FY 2016 and FY 2017

RECOMMENDATION:

Staff recommends approval of this ordinance to execute a contract extension for one (1) year with United Healthcare Insurance Company for a term beginning January 1, 2016 and ending on December 31, 2016