

Services Requested:

TPA claims administration for medical plan

Managed Medical Provider Network

Pharmacy Benefit Management programs

Stop Loss Reinsurance

Fully-insured Medicare Supplement Medical Plan

COBRA/HIPAA administration

Disease Management programs

Wellness programs and initiatives

125 Pre Tax Plan Administration

General Information

The City of Laredo currently makes available to its employees a self-funded plan of medical and dental benefits, along with a Section 125 Plan offering Flexible Spending Accounts and Dependent Care Accounts.

At this time, by means of this Request for Proposal, the City of Laredo is seeking proposals from qualified persons or entities that can provide the following services, as more fully described in this RFP for an October 1, 2014 effective date:

| Service / Benefit Description | Current Vendor |
|---|-------------------------------------|
| Third Party Medical Claims Administration | Blue Cross and Blue Shield of Texas |
| Managed Medical Network Access | Blue Cross and Blue Shield of Texas |
| Medicare Supplement Carrier | The Hartford |
| COBRA Administration | Blue Cross and Blue Shield of Texas |
| Pharmacy Benefit Management | Prime Therapeutics |
| Stop Loss Reinsurance | Blue Cross and Blue Shield of Texas |
| Section 125 Administration | Payflex |

The following acronyms are used in this document and for purposes of this Request for Proposal the following meanings will be assumed.

AWP – Average Wholesale Price
CDHP – Consumer Driven Health Plan – any configuration
COB – Coordination of Benefits
COBRA - Consolidated Omnibus Budget Reconciliation Act of 1985
DAW – Dispense As Written
DUR – Drug Utilization Review
EOB – Explanation of Benefits
EPO – Exclusive Provider Organization
FOB – Free On Board
HIPAA – Health Insurance Portability and Accountability Act
ID card – Identification Card
IPA – Independent Practice Association
IVR – Integrated Voice Response
MAC – Maximum Allowable Cost
PBM – Pharmacy Benefit Manager
PHO – Physician Hospital Organization
PPO – Preferred Provider Organization
RFP – Request for Proposal
SPD – Summary Plan Description

Goals and Objectives

The City of Laredo has decided to conduct this RFP review process in order to:

1. Review these aspects of the City of Laredo's benefit programs to ensure price competitiveness, service and benefit access at optimum levels.
2. Maintain or improve the benefit levels in force, if economically feasible.

3. Improve cost minimization by investigating alternatives.
4. Assess long term alternatives for managing the employee benefits programs.

The City of Laredo may elect to award one or more categories of the Services, or parts thereof, separately and independently to Qualified Proposers. Therefore, among other things, the City of Laredo reserves the right to select a network provider independent of offers submitted with Third Party Administration proposals, the right to select a stop loss insurer independent of offers submitted with Third Party Administration proposals, and the right to select a Pharmacy Benefit Manager independent of offers submitted with Third Party Administration proposals. Unless otherwise expressly stated in its proposal, a Proposer agrees to accept any such partial award, if made.

The City of Laredo will entertain responses on bundled or unbundled Services. A response for unbundled Services should include all Services contained within a particular category of Services. A response for Bundled Services may be through one Proposer providing one or more categories of Services or two or more Proposers submitting a joint response to this RFP.

Willingness to work with outside vendors who may provide other vital services to the City of Laredo is required. In that regard, in the event the City of Laredo awards one or more categories of the Services, or parts thereof, separately and independently, each Proposer receiving an award from the City of Laredo shall be expected to work well with the other awarded Proposers. If any Proposer believes it may have difficulty in working well with any other potential Proposer, the same should be disclosed in the response.

Any Proposer who is under common control or ownership with any other Proposer, whether or not for the same category of Services, shall disclose the same in its response. Any Proposer who is affiliated with any other Proposer, whether or not for the same category of Services, by means of a contractual or other relationship, shall disclose the same in its response.

Any person or entity responding to this RFP shall be referred to herein as a "Proposer". Any reference to "you", "your", or derivation thereof refers to any actual or potential Proposer reviewing this RFP.

The City of Laredo reserves the right to return to the top candidates to request a final proposal based upon one or more components of the initial proposal. The City of Laredo reserves the right to negotiate certain terms and conditions relative to the contract(s) for particular awarded services (each, a "Contract").

Consultant

HUB International Insurance Services, El Paso, has been engaged to assist in preparing this RFP document, the analysis of responses and in the selection process.

Any requests for census information, claims experience and the required claims re-pricing exhibit information should be directed to Randy McGraw at Randy.McGraw@hubinternational.com AND Debbie Lopez at Debbie.Lopez@hubinternational.com .

Any questions related to this RFP should be in writing via email to Randy McGraw at Randy.McGraw@hubinternational.com AND Elisa Holguin at Elisa.Holguin@hubinternational.com . The deadline for questions is Thursday, May 22, 2014, 2:00 p.m. Central Daylight Time.

Consultant

Criteria to evaluate proposals may include but may not be limited to the following.

| Category |
|--|
| Cost (Combined Fees and Estimated Claims Expense) |
| Provider Networks (Medical, Pharmacy) |
| Extent to which the Goods or Services meet the City's needs in the form of: <ul style="list-style-type: none">* Provider Networks* Plan Designs*Reputation*Customer Service (Local and Corporate)*Reporting Capabilities |

Proposal Specifications

Each proposer is encouraged to present proposals that are based on its unique capabilities and resources and that, at the same time, recognize the City of Laredo's specific needs.

The assumptions upon which a proposal should be based are outlined in this RFP.

The City of Laredo will accept only one proposal (response from each) per Proposer. Multiple proposals from different Proposer offices or representatives will not be accepted.

Three (3) Original Hard Copies and **three** electronic formatted (preferably on a flash drive media - the **questionnaire response and claims repricing responses must be formatted in Microsoft Excel**) copies of the proposal should be delivered to the City of Laredo. Any other electronic documents submitted should be in a searchable file format using Microsoft Word or Adobe Acrobat Reader.

Do not make any changes to the questions or tables in this RFP. You are welcome to elaborate and offer additional information to supplement your response in separate documents.

Proposal Presentation

Proposers may be requested to make a formal presentation at the City of Laredo's offices in Laredo, Texas. The City of Laredo reserves the right to record all presentations.

Claim Office or Site Visit

The City of Laredo may wish to conduct an on-site review and evaluation of the claims processing, offices, or facilities of one or more Proposers. It is expected that any such Proposer will provide a live demonstration of the entire scope of its operations, including (but not limited to) claims adjudication, claim inquiries, utilization review, provider auditing techniques, provider referral procedures, and internal quality assurance.

Contract Terms

The City of Laredo intends to award a three-year initial contract from October 1, 2014 through September 30, 2017 with the City of Laredo retaining the right to renew for up to two additional one-year renewal terms for all requested coverages with the exception of the Medicare Supplement plan. The Medicare

Supplement coverage plan being requested would be effective January 1, 2015 through December 31, 2017.

Contract

Each Proposer receiving an award from the City of Laredo will be expected to agree to a Contract in form and substance satisfactory to the City of Laredo and its legal counsel.

General Conditions and Instructions

If any person or entity was employed or retained by Proposer on a commission, percentage, or contingent fee to solicit or secure an award under this RFP, the same shall be disclosed in the response.

It is important that all Proposers complete the appropriate tabs in the City of Laredo Questionnaire Excel Worksheet contained in the Exhibits section of the RFP.

Your proposal responses should be based on the following assumptions and background information:

Effective Date

October 1, 2014

January 1, 2015 for Medicare Supplement Plan

Background Information

The City of Laredo has a self-funded medical plan for eligible Active Employees (approximately 2518 Employees/5600 total lives) and non-Medicare Retirees. Medicare eligible retirees medical is fully insured and the pharmacy component is self-funded by the City. The current agreements with the current providers will expire on 9/30/14. The City of Laredo is seeking proposals from qualified proposers to provide the requested services to administer these plans.

Currently, the City of Laredo offers one medical benefit plan for Active Employees and one plan for Retirees. Benefit booklets and rates are provided in the materials supporting this solicitation. The City offers a wellness incentive that reduces the deductible for the Active population from \$750 to \$500 but all other benefits remain the same. At this time, the City of Laredo is requesting that proposers confirm their ability to offer the current benefit plan designs including the administration of the reduced deductible plan for wellness program participants. Proposers should also include offers to provide HSA services as well. The City of Laredo reserves the right to amend the benefit plans at any time.

Pharmacy Benefits Management

The City of Laredo will participate in the Retiree Drug Subsidy Program offered by CMS. Any proposing PBM should confirm its ability to support the City of Laredo with eligibility and cost submissions.

The City of Laredo would also entertain participating in an Employer Group Waiver Program to maximize the value of its Medical Eligible Prescription Drug Benefits. Each Proposer should describe its abilities to offer an EGWP program to the City of Laredo.

Retiree Medical Insurance

The City of Laredo currently offers a self-funded plan to the Non-Medicare Eligible Retirees. The Medicare Retirees are on a fully-insured arrangement for the medical piece but a self-funded arrangement for pharmacy benefit management. The City will entertain fully insured proposal for retiree insurance coverages similar to the benefits currently offered.

Claims Re-pricing Requirement

If your organization intends to provide medical provider network access you must follow these instructions to complete and submit a response to a re-pricing exhibit for medical and pharmacy claims.

- Complete and return the provided “Use and Disclosure Agreement” to HUB International.
- Upon receipt of a properly executed form, HUB International will provide you the prospective proposer the required information electronically.
- Return the completed file along with your proposal submission on a separate flash drive in a sealed envelope marked “confidential”.
- The City is a political subdivision of the State of Texas and is governed by the Texas Public Information Act, Chapter 552, Texas Government Code (the “Act”). If your response to the RFP contains material that you consider Confidential Information, you must indicate prominently on your response which sections are considered confidential. In the event the City receives a request under the Public Information Act for information you have deemed Confidential Information, it shall promptly notify you pursuant to the requirements of the Act, which places on you the burden of establishing the confidentiality of information pursuant to the Act, see section 552.305. It is expressly agreed that the City may request a determination from the Attorney General of the State of Texas in regard to the application of the Public Information Act to the requested information and whether the information is to be made available to the public. It is further agreed that the City, its officers and employees shall have the right to rely on the determinations of the Texas Attorney General, and that City, its officers and employees shall have no liability to Vendor for disclosure to the public in reliance on a decision by the Attorney General. Nothing in this agreement shall require Vendor or City to violate the terms of the Public Information Act.
- The re-pricing results should not apply any deductibles or co-share amounts. Assume all claims are eligible under the benefit plan.
- Please re-price each claim, line by line, and summarize claim re-pricing amounts by hospital, physician, ancillary facility and all other claims. Itemize any claims provided that are not used in your re-pricing exhibit and provide a summary explanation as to why the claim was disallowed.

Stop Loss Re-insurance

The City of Laredo currently maintains an individual stop loss deductible for medical and prescription drugs of \$200,000 with an unlimited lifetime maximum benefit. The City of Laredo also purchases aggregate stop loss. Please submit offers using these criteria based upon both an initial 12/12 and 15/12 basis.

Disclosure of Commissions

All offers are to be submitted specifying any payable commissions to any agents and the Agent Services portion of the Excel Questionnaire should also be completed

Value Added Services

In addition to the core services requested and currently provided, the City of Laredo is interested in any additional Value Added Services that your organization may offer. You are invited to provide a description of any additional services that may meet that description, such as educational seminars, on site wellness support and initiatives, health fair involvement, et cetera.

General Services Provided

- Since the City of Laredo reserves the right to award contracts to individual Proposers, each Proposer must have the capability and willingness to work with other Proposers if necessary and as otherwise described in this RFP.
- All Proposers must be HIPAA compliant and willing to enter into a mutually agreeable Business Associates Agreement.
- The City of Laredo reserves the right to select a network provider and / or Pharmacy Benefit Manager and/or stop loss provider independent of offers included with Third Party Administration proposals. Each Third Party Administrator Proposer needs to describe its ability to work with a wide variety of network, providers and Pharmacy Benefit Managers if necessary.
- All selected Proposers will need to establish links with City of Laredo's website and provide plan documents, forms, etc. as described in the City of Laredo Questionnaire exhibit.

Online Enrollment and Eligibility

The City of Laredo does not currently use an on-line enrollment service and all eligibility is administered using hard copies. The City of Laredo would welcome any information regarding on-line enrollment services.

Rates and Fees

- Whenever possible, any rates and fees should be guaranteed for the initial term of this agreement.
- All rates and fees quoted should **specify any commission**. If your proposal must contain any commissions or fees paid to non-employees of your company then full disclosure of the fees paid, the recipient receiving any fees, and services provided by any-non-employee of your organization must be made.
- All fees should be guaranteed on a per employee per month or per member per month basis for all services.
- Administrative fees and rate-setting methodology for each year should be guaranteed for an initial term of 36 months or until September 30, 2017 (December 31, 2017 for fully-insured medical

coverage). Two additional 12-month time periods should be described in the event of a contract extension. Subsequently, changes in rates and fees must be provided six (6) months in advance.

- Fees for COBRA administration can be quoted separately or identified as included in the base administration fee.
- Fees for HIPAA administration can be quoted separately or identified as included in the base administration fee.
- Fees for network access should be quoted separately or included in the base administration fee.
- Fees for Utilization Review/Utilization Management should be quoted separately or identified as included in the base administration fee.
- Fees for Pharmacy Benefit Management, including administrative fees, dispensing fees, special program fees, discount guarantees and rebate guarantees should be quoted separately or identified as included in the base administration fee.
- Fees for Stop Loss Reinsurance should be quoted separately.

Account Structure

The City of Laredo currently segments the population into the following categories for eligibility and claims data management: Active Civilian Employees, Police Department Employees; Fire Department Employees; COBRA Participants by Plan; Non-Medicare Eligible Retiree Participants; and Medicare Eligible Participants by Plan (for the pharmacy benefit).

Administration Materials

Claim and enrollment forms, provider directories, survey forms, summary plan description booklets, postage and other administrative materials to be prepared by administrator, with cost included in quoted fee

Future Employee Contributions

The City of Laredo's reserves the right to modify employer contributions at any time in the future.

Benefit Plan Year

October 1 to September 30. However, the City of Laredo reserves the right to change the plan year time frame in the future.

Medical Plan Administration Performance Guarantees

Performance standards in the areas of account management, health plan development and maintenance, member service, claims processing, data reporting and analysis, and implementation are described in the worksheet that follows. The standards are a part of the required proposal and will be a part of the contract. Any deviations must be highlighted. The standards and guarantees are noted below.

The criteria and guarantees are considered to be client specific – not based upon your book of business or assigned teams or departments. If you cannot meet this requirement your response must clearly identify how you calculate your metrics.

If you are willing to establish claim target guarantees, please explain your methodology in establishing the target and the formula for reward / penalty if the target is met / failed. The City of Laredo reserves the right to negotiate performance guarantees with any network provider upon review of offers received.

Performance Guarantees

1. Member Satisfaction

| Guarantee | Reduction |
|---|--|
| <p>Proposer will develop and implement a mutually acceptable annual survey to evaluate member satisfaction with Proposer’s performance, the performance of medical providers, and general satisfaction with the plan design in an effort to gauge general member understanding of the health plan.</p> <p>Measurement criteria: Random sample survey designed with client approval.</p> | <p>The reduction will be \$5,000 if the 75% satisfaction or better with Proposer’s performance is not met.</p> |

2. Claim Adjudication (Payment Accuracy)

| Guarantee | Reduction |
|--|--|
| <p>Proposer will guarantee the claim adjudication payment process will not exceed an error rate of 3% in any given quarter.</p> <p>Definition: Number of correct claims payment divided by total number of payments made, expressed as a percentage.</p> <p>Measurement criteria: Random sample audit or vendor generated management reports mutually agreed to report required information.</p> | <p>The maximum reduction will be 5% of the administrative fees for any month that the standard is not met.</p> |

3. Claim Coding Accuracy

| Guarantee | Reduction |
|--|--|
| <p>Proposer will guarantee the average coding accuracy will be 97.5% or higher in any given quarter.</p> <p>Definition: Coding accuracy is determined by dividing the number of correct coding entries by the total number of coding.</p> <p>Measurement criteria: Vendor’s internal quality control program will be used.</p> | <p>Proposer will reduce its administrative fee by \$1,500 for each ½ % that coding accuracy drops below 97.5% for any month.</p> |

4. Claim Adjudication Turnaround – Non-Investigated Claims

| Guarantee | Reduction |
|---|---|
| <p>Proposer will guarantee the average claim turnaround time for non-investigated claims during the contract period will not exceed an average of 16 calendar days for 90% of processed claims.</p> <p>Definition: A non-investigated claim shall mean a complete claim received with information sufficient to allow the vendor to make a final claim determination. Proposer measures turnaround time from the claimant’s viewpoint. That is, turnaround time is measured from the date the check or EOB is mailed for member payable claims or is in a ready for payment status for providers. Weekends or holidays are included in the turnaround time.</p> <p>Measurement criteria: A computer generated turnaround time report for specific claims will be provided on a monthly basis.</p> | <p>If the cumulative quarterly turnaround time exceeds an average of 16 calendar days, vendor will reduce its administrative fee by \$7500 for each day, to a maximum of \$5,000 per month.</p> |

5. Claim Dollar Payment Accuracy

| Guarantee | Reduction |
|---|--|
| <p>Proposer will guarantee the average claim payment accuracy, as measured by the dollar amount of claims paid accurately divided by the total dollars, will be 98% or higher in any given quarter.</p> <p>Definition: Accuracy shall be determined by dividing the total dollar amounts overpaid, as well as underpaid, by the sum of amounts actually paid. This is the error rate that then is subtracted from 100% to determine the claims accuracy level.</p> <p>Measurement criteria: Vendor's internal quality control program results for assigned processors will be used.</p> | <p>Proposer will reduce its administrative fee by \$1,500 for each 1% that coding accuracy drops below 98% up to a maximum reduction of \$5,000 for a given month.</p> |

6. Data Reporting Delivery

| Guarantee | Reduction |
|---|---------------------------------------|
| <p>Standard reports will be delivered within 20 calendar days of the previous month</p> | <p>The reduction will be \$1,500.</p> |

7. Customer Service

| Guarantee | Reduction |
|--|--|
| <p><u>Telephone Service:</u></p> <p>80% of calls answered within 60 seconds.</p> <p>Less than 5% of calls abandoned.</p> | <p>Proposer will reduce administrative fees by \$750 for each 5% that the standard is not met up to a maximum of \$3,000 in any given month.</p> |