

2019 Renewal Recommendation  
**City of La Crosse**



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**Presented By:**

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## EXECUTIVE SUMMARY

The Horton Group is the consultant for the City of La Crosse. Horton was asked to make a recommendation to the City with respect to its renewal strategy for January 1, 2019. By virtue of our contract with the City, The Horton Group will not accept commissions or bonuses on behalf of the City. This allows Horton to remain an independent consultant and make truly independent recommendations that are in the best interest of the City. Prior to making our renewal recommendation, the Horton Group researched the pros and cons of executing contract extensions versus marketing, and the benefits of completing a targeted Request for Proposal (RFP) versus a comprehensive RFP.

## CONTRACT EXTENSIONS

### Pros

1. Contract extensions are very likely to be done and contracts executed very quickly, likely within 60 to 90 days.
2. Contract extensions would likely extend current rates.
3. Contract extensions would recognize that The City likely has the best reimbursement rates from many of their vendors under the current arrangements, including Quartz (Gundersen), and BPA.
4. The current vendors have been in a long-term relationship with the City of La Crosse, Quartz (formerly Gundersen) and understand and apply the City's benefits as intended and stated in the Summary Plan Document.
5. Current vendors have offered information and items for consideration to the City on a regular basis.

### Cons

1. The City would need to market or select a replacement for Health Traditions/Skemp/Mayo network in any case. Health Traditions has been purchased by WEA Trust. The Trust has a relationship with Cypress, a Third Party Administrator out of Appleton, WI. If we would like to just continue with Health Traditions (as a replacement for itself) from a network perspective, we would need to terminate the contract with BPA, the current administrator of that network. If this path is chosen, The Horton Group would recommend the City send a questionnaire to Cypress to determine their capabilities, pricing models and contractual provisions.
2. Navitus would likely prefer that the City did not remain in their current contract. They have updated their current contract, negotiated better fees, etc. Unfortunately, in order to go into the new contract a three-year term is likely required. If the City only wanted a one-year extension we would need to remain on the current contract and the City would lose discounts and rebates that it would be entitled to under the new contract, while remaining on the old.
3. The City markets the stop loss each year regardless of the other vendors. Therefore, this would still need to be done.
4. The City would need to be particularly mindful of termination provisions in the extended contracts as if these provisions are not followed there can be financial consequences to the City. For example, Navitus retains rebates owed and not yet paid to the City in the event cancellation occurs outside the termination limits under the contract.
5. There are many new ancillary vendors and exciting opportunities in the marketplace that the City might be missing if we do not perform an RFP. These items include various Telemedicine and Telemental Health providers, vendors such as Access Health Net and Novo who "bundle" procedures from start to finish to assist with cost controls on orthopedic and diagnostic procedures and new vendors such as WellDoc and Health 180 which assist individuals with chronic conditions to manage their treatment plans more appropriately. Certainly the City could add any and all of these vendor partners at any time. However, the RFP process

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would allow us to ask our prospective vendor partners whether or not they would assist in payment, data feeds, etc. to maximize the potential for the City.

## **BENEFITS OF A TARGETED RFP STRATEGY**

1. As mentioned in bullet number (3) under the *Pros of Contract Extensions*, we believe the City currently has the best reimbursement and discount arrangements that the market can offer with its current benefits vendors. However, we need to find a replacement for the Health Traditions/Mayo/Skemp network. It makes sense to look at Third Party Administrators to ensure that we maintain the best networks and the best price efficiencies. The Horton Group works with several strong vendor partners in this space and we would take our targeted RFP to the vendors that can best match what we have in place today or vendors that may be able to improve our benefits package.
2. To reiterate bullet number (5) under the *Cons of Contract Extensions*, The Horton Group believes that there are many opportunities to save costs while ensuring that employees receive the best care and health care experience through the work of some “ancillary vendors.” A targeted RFP process would allow us to see if it makes sense to offer any of these programs and to make sure the vendors selected can work with these new vendors.
3. The City of La Crosse has typically marketed stop loss every year, so it makes sense that we continue to do that for 2019.
4. Some additional comments to bullet number (2) under the *Cons of Contract Extensions*: While Navitus has been a good vendor partner and the City does maintain a complex drug program, this area of healthcare contains the highest level of trend/inflation, around 15% year over year. It is critical that we continue to explore all options around prescription drugs to help contain costs. There are only a few vendors that we believe could manage the City’s prescription drug benefit, we would like to go to only those vendors to see if there are any areas of cost savings that the City could take advantage of while still maintaining our current benefit.

Furthermore, we recommend the City of La Crosse should not do a comprehensive RFP, as has been done in the past, for the following reasons:

1. The questionnaire that has been used in the past is quite cumbersome, both for the potential vendors to answer, and for The Horton Group to score. We, The Horton Group, do not mind doing the work. However, many of the vendor partners do. Our biggest fear is that some vendors may choose not to respond to the RFP if they feel the RFP is too much work to do and if they do not feel like the City is willing to change vendors. This may cause the City to miss out on some savings or new product in the marketplace.
2. As mentioned above and reiterated in the following pages, the City has a rather complex plan and there are only certain vendors who can meet the City’s needs. We would like to target those specific vendors instead of going to the entire marketplace.
3. We want to continue to have a good reputation in the insurance marketplace. If we go to certain vendors that may not be able to handle the City’s current program, they may be hesitant to provide a quote in the future when the City may need to make a change that would make that vendor a good fit (either out of choice or necessity).

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## RENEWAL RECOMMENDATION

The current recommendation is that the City of La Crosse authorize The Horton Group to market to the vendors that we believe can offer the City the best benefit package at the best price. The Horton Group will provide a list of vendors we intend to target with a rationale for each. The City and the Committee should feel free to add any vendors to the list who have contacted them directly and asked to present a proposal.

### Stop Loss

Horton utilizes approximately 20 different stop loss markets, which we believe to be viable alternatives for the City. It would be Horton's recommendation that we do a full marketing effort for January 1, 2019 to make sure the stop loss carrier remains competitive. We would recommend that this process be initiated beginning in early September 2018 for a January 1, 2019 effective date. Horton will analyze the quotations received and provide a stop loss recommendation to this Committee mid-October.

### Dental

The dental renewal is anticipated from Delta Dental at the end of August, 2018 for a January 1, 2019 effective date. The dental plan is fully voluntary, meaning the employees contribute the full cost of the premiums. The renewal will be presented to the participating collective bargaining units at that time. Based on the feedback from the various collective bargaining units, and The Horton Group, we will make a determination as to whether to conduct a full marketing effort, or if we would have more leverage with the current carrier (Delta Dental) to negotiate the renewal increase in the absence of marketing. Should the collective bargaining units wish to market the dental, this process will begin in early September, with a recommendation mid-October. The remaining City employees that are not part of a collective bargaining unit will be offered the same plan as that finalized for the collective bargaining units.

### Preferred Provider Organization (PPO)

Based on existing collective bargaining agreements, the City is required to maintain a choice of two network options for its employees. The current PPO arrangements are with Quartz (formerly known as Gundersen), and Health Traditions (Mayo/Franciscan Skemp). Approximately 75% of the City's employees are covered under the Gundersen network. Health Traditions PPO network will no longer be available to the City through BPA as of January 1, 2019. As such, if the City wishes to remain with BPA, we will need to at minimum, evaluate other PPO networks. It does appear that the Health Traditions network may be available on January 1, 2019, but it would require a change in Third Party Administrators from BPA to Cypress. Horton would recommend that a targeted network marketing be conducted for PPO network options effective January 1, 2019.

Based on historical marketing efforts by The Horton Group, we feel strongly that the broad PPO network options will be unable to match the PPO discounts currently achieved through the Gundersen network. As such, Horton believes a targeted marketing effort would be appropriate to identify an appropriate alternative to the Health Traditions network. We would recommend that this process begin in early to mid-July, with recommendations in late August/early September.

It may be worthwhile to note that a broad network offering that includes Skemp/Mayo as well as many other providers in the area, while excluding Gundersen may be an appropriate and interesting alternative.

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## Pharmacy Benefit Manager (PBM)

The Horton Group has conducted a formal Pharmacy Benefit Manager Request for the Proposal on behalf of the City in prior years. This process included placing an ad in the paper to solicit vendor proposals. It also involved a lengthy narrative and PBM questionnaire, which was approximately 18 pages. We believe a targeted marketing effort would be the best option for the City. With a targeted marketing effort, we can solicit only those vendors with a strong reputation in the industry that we believe will be able to meet the needs of the City. The City's current PBM agreement includes pass-through pricing, which provides transparency with respect to the fees collected on behalf of the City. We recommend that any PBM's that wish to participate in the targeted RFP process issue proposals based on pass-through (transparent) pricing to avoid unnecessary costs to the City. Also, it would be Horton's intent to market only the Pharmacy Benefit Managers that do not retain rebates.

Due to the comprehensive nature of a formal RFP, some vendors are not willing to participate due to the lengthy questionnaire process. With a targeted marketing, this would allow us to focus on the specifics of the City plan, and ask the questions that are most relevant to the City. We would recommend utilizing an abbreviated questionnaire. It would continue to include detailed pricing information, but the other questions would be structured to analyze the unique features of the City plan. As an example, the City plan includes a closed formulary. Because formularies change significantly from one vendor to the next, we would want to focus our efforts on minimal employee and retiree disruption. The targeted marketing approach would allow us to focus on those vendors that offer a beneficial pricing strategy, while minimizing provider and formulary disruptions. With a formal RFP, we will receive proposals from a number of vendors who will cause significant disruption. The targeted RFP should result in quotations from more qualified PBM's that will be the best match for the City.

We would recommend that this process begin in early to mid-July. Horton will complete its analysis and make a recommendation to the Committee in early September.

## Third Party Administrator (TPA)

The Horton Group has conducted a formal Third Party Administrator Request for Proposal on behalf of the City in prior years. This process included placing an ad in the paper to solicit vendor proposals. It also involved a lengthy narrative and TPA questionnaire, which was approximately 18 pages. We believe a targeted marketing effort would be the best option for the City. With a targeted marketing effort, we can solicit only those vendors with a strong reputation in the industry that we believe will be able to meet the needs of the City with minimal disruption. Due to the comprehensive nature of a formal RFP, some vendors are not willing to participate due to the lengthy questionnaire process. With a targeted marketing, this would allow us to focus on the specifics of the City plan, and ask the questions that are most relevant to the City. We would recommend utilizing an abbreviated questionnaire. It would continue to include detailed pricing information, but the other questions would be structured to analyze the unique features of the City plan. Seventy-five percent of the plan participants are covered under with Quartz as the network Third Party Administrator. As stated above for the PPO network, we do not believe any of the Third Party Administrators will be able to provide a discount greater than the current arrangement with Gundersen. A targeted marketing effort would allow us to eliminate vendors that would not be able to work with the City's desired networks. It would also allow us to focus on the Third Party Administrators that could work with and offer an alternative to the Health Traditions network. The select RFP should result in quotations from qualified Third Party Administrators that will be the best match for the City.

We would recommend that this process begin in early to mid-July. Horton will complete its analysis and make a recommendation to the Committee in early September.

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## RENEWAL RECOMMENDATION

The recommendation is that the City of La Crosse authorize The Horton Group to market to the vendors that The Horton Group believes can offer the City the best benefit package at the best price.

RESPECTFULLY SUBMITTED:

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