

PORT OF SEATTLE
MEMORANDUM

COMMISSION AGENDA

Item No. 6g

Date of Meeting January 25, 2011

DATE: January 14, 2011

TO: Tay Yoshitani, Chief Executive Officer

FROM: Tammy Woodard, Sr. Manager, Total Compensation

SUBJECT: Medical Claims Administration Services for the Port Sponsored Self-Funded Medical Plan Beginning in 2012.

AMOUNT OF THIS REQUEST: Not to exceed \$7,000,000.

SOURCE OF FUNDS: General Funds

ESTIMATED WORKERS EMPLOYED: 2 to 10

REQUESTED ACTION:

Request authorization for the Chief Executive Officer (CEO) to execute a contract for medical claims administration services related to the self-funded Port sponsored medical plan. The contract will have a maximum value of \$7,000,000 and a maximum term of five years. The Port plans to enter into an initial agreement for three years with an option for two one-year extensions. The Port requires this agreement to manage the Port sponsored self-funded medical plan.

SYNOPSIS:

The Port was authorized by Resolution No. 3636, on May 11, 2010 to adopt a self-funded model for the Port sponsored medical (not including the Group Health plan) and dental plans effective January 1, 2011 and the State of Washington approved the Port's request for self-funded status in December 2010. Previously the Port sponsored medical and dental plans were fully insured. The move to self-funding was a cost containment measure that resulted in a 2011 cost increase of 3% rather than nearly 13%. This savings came from eliminating the premium tax as well as overhead and/or profit portions of the fully insured premium. This cost containment measure followed other cost savings measures in prior years that increased costs for Port employees and retirees covered by Port sponsored plans.

In order to sponsor a self-funded medical plan, the Port must retain the services of a claims administrator to receive, review, process, and pay medical claims under the plan. For 2011, the Commission exempted medical services from competition on May 11 2010, and authorized the CEO to execute an agreement for these services with Premera, the company that previously provided insured medical benefits to eligible Port employees. This permitted the Port to implement the self-funded plan in 2011 rather than waiting until 2012 and also permitted the Port to make the transition from fully insured to self-funded nearly seamless to employees. The competition exemption was for one year

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only and Port staff is now planning to utilize the standard competitive procurement process to select a claims administrator to provide these services beginning in 2012.

SCOPE OF WORK:

The claims administrator will review claims involving medical, prescription drug, vision and behavioral health services, determine what is covered under the specific plan the employee elects, determine the employee's share of covered costs, prepare "explanation of benefits" documents for employees, and pay the Port's portion of the claims to providers. The claims administrator will notify the Port on a weekly basis of the value of claims processed the prior week and the Port will transfer funds required to pay the week's claims to the claims. The claims administrator will maintain a provider network and negotiate discounts on standard fees that will benefit the Port and covered employees. The claims administrator will also maintain enrollment data to support their work based on information provided by the Port, provide paid claims data on a regular basis and provide detailed claims activity reports to the Port.

Other aspects of the scope of work will be negotiated with the selected claims administrator and may vary over the course of the contract. These other aspects may include availability of a nurseline for employees to call with questions about medical care, chronic condition/disease management services, utilization management including medical necessity and pre-certification reviews.

The scope of work will be flexible enough to allow changes the Port may wish to make to plan design options (deductibles, copays, and coinsurance) and to maintain compliance with evolving health care regulations.

SOURCE OF FUNDS:

The fees under this contract will be a flat dollar amount per month for each employee covered by the Port sponsored self-funded plans. We are not certain how employee staffing levels may change over the term of the contract, which plan (Group Health or a self-funded plan) employees will choose to enroll in each year, and whether union groups may negotiate to participate in the Port-sponsored plans or cease current participation. Because of this we must estimate the total cost of the agreement. We estimate that the cost of the contract for the full five years will not exceed \$7,000,000.

The funds to pay the fees in this contract are included in the monthly cost for the self-funded plans (premiums). A portion of this cost is therefore paid by employees and the remainder is paid by the Port. These amounts are included in the Port's benefit budget each year. A portion of the funds to pay these fees will also come from retirees who self-pay their medical coverage.

STRATEGIC OBJECTIVES:

Be a high performance organization: Maintaining benefit costs at affordable level while providing a competitive benefit package supports the Port's retention and attraction of skilled and engaged staff necessary for the Port to be a high performing organization. Ensuring that our medical benefits

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comply with federal and state regulations also supports the objective of being a high performance organization.

PREVIOUS COMMISSION ACTIONS OR BRIEFINGS:

January 5, 2010, Staff briefing regarding conversion of the Port sponsored medical and dental plans to a self-funded model.

January 12, 2010, Commission authorization for the CEO to enter into a contract with a benefits consulting firm to assist Port staff convert the Port sponsored medical and dental plans to self-funded plans as well as to assist in managing insured and self-funded benefit plans.

April 27, 2010, Staff briefing providing an update on the work related to converting the Port sponsored medical and dental plans to a self-funded model.

May 4, 2010, First Reading of Resolution No. 3636 adopting a self-funded model for the Port sponsored medical and dental plans.

May 11, 2010, Second Reading and Final Passage of Resolution No. 3636 adopting a self-funded model for the Port sponsored medical and dental benefit plans.

May 11, 2010, Commission approved a competition approved a competitive exemption under RCW 53.19.020 and authorized the CEO to execute a one-year contract for medical claims administration services with Premera.