

COUNTY OF SONOMA AGENDA ITEM SUMMARY REPORT			Clerk of the Board Use Only Meeting Date Held Until ___/___/___ ___/___/___	
			Agenda Item No: Agenda Item No: _____ _____	
Department: Human Resources			() 4/5 Vote Required	
Contact: Marcia Chadbourne	Phone: 565-2473	Board Date: 06/23/2009	Deadline for Board Action: 06/23/2009	
Agenda Short Title: Anthem Blue Cross services agreement renewal.				
Requested Board Action: Authorize the Director of Human Resources to execute an Amendment to the Administrative Services Agreement with Anthem Blue Cross (BC) which includes a 3.9% increase to current administrative costs per enrollee for the term 7/1/09 through 5/31/10, after review and approval of agreement by County Counsel.				
CURRENT FISCAL YEAR FINANCIAL IMPACT				
<u>Expenditures</u>			<u>Add'l Funds Requiring Board Approval</u>	
Estimated Cost	\$	0*	Contingencies	\$
			(Fund Name:)	
Amount Budgeted	\$	0*	Unanticipated Revenue	\$
			(Source:)	
Other Avail Approp (Explain below)	\$		Other Transfer(s)	\$
			(Source:)	
Additional Requested:	\$		Add'l Funds Requested:	\$
Explanation (if required): * No current fiscal year impact. Appropriations included in the County Health Plan ISF proposed budget for FY 2009/10: Anthem Blue Cross - \$1,227,504.				
Prior Board Action(s): <u>Anthem Blue Cross</u> 6/24/08: Board authorized Director of Human Resources to execute a renewal amendment to the Administrative Services Agreement with Anthem Blue Cross (BC) for the term 7/1/08 to 6/30/09. 08/07/07: Board authorized Chair to execute an Amendment to the Administrative Services Agreement with BC to provide third party claims administration, PPO network access, and 24-hour nurse hotline services for the County Health Plan, for the term 7/1/07 to 6/30/08. 06/27/06: Board authorized amendment of agreement with BC for the term 7/1/06 to 6/30/07. 06/28/05: Board authorized initial agreement with BC for third party claims administration and PPO network access				
Alternatives – Results of Non-Approval: Inability to administer the County of Sonoma self-insured Health Plans.				

Background:

The requested Board action is to authorize the Director of Human Resources to execute an Amendment to the Administrative Services Agreement with Anthem Blue Cross (Anthem BC) to provide third party claims administration, participating provider network access, and 24-hour nurse hotline services for the three self-insured County Health Plans offered by the County; County Health Plan Original-#1, County Health Value Plus Plan-#2 and County Health Value Plan-#3.

Through a request for proposal process conducted in 2004, Anthem BC was selected to provide third party claims administration and other services for the County Health Plan. Your Board authorized the initial Administrative Services Agreement with Anthem BC in June 2005 for the 2005/06 plan year, and this agreement has been renewed annually. This is the fourth amendment to the initial agreement.

The agreement with Anthem BC also provides access to the Prudent Buyer Plan network of participating providers within California. CHP members outside California have access to the "BlueCard" Program, for services through other Blue Cross/Blue Shield affiliates, nationwide.

Anthem BC provides the following services for the County Health Plan:

- Third Party Claims administration (e.g., processing and payment of medical claims).
- Access to the Anthem Blue Cross network of participating providers.
- Filing claims with the stop loss insurance carrier (ING).
- 24/7 nurse hotline services (Medcall).

The following chart illustrates the trend of the CHP claims expense since Anthem BC began administering the program in FY 2005/06.

Vendor	Plan Year	Actual Claims Expense	Difference over Prior Year	% Difference over Prior Year
Benesight	2004-05	\$27,976,440	N/A	N/A
BC	2005-06	\$24,062,651	<\$3,913,789>	<14%>
BC	2006-07	\$22,846,431	<\$1,216,220>	<5%>
BC	2007-08	\$23,438,292	\$591,861	2.6%
BC	2008-09	*\$23,000,000	<\$438,292>	<1.9%>

Attachments:

On File With Clerk:

Current Agreement with Anthem BC.

CLERK OF THE BOARD USE ONLY

Board Action (If other than "Requested")

Vote:

Background (continued):

*This amount is based on actual claims through February 2009 and projected claims through the fiscal year ending June 30th 2009.

Other than experiencing a slight increase in claims costs during FY 07/08, overall claims costs have continued to decrease under the agreement with Anthem BC, over the County's previous claims administrator, Benesight.

The agreement also requires Anthem BC to achieve various performance objectives in a number of areas including claims turnaround (% of claims processed within a given timeframe), claims accuracy, customer service, and network savings. Failure to meet minimum performance standards results in a penalty payable by Anthem BC to the County. For the plan year 2007/08 BC met all performance guarantees with the exception of processing 94.56% of claims within 30 days instead of the set standard of 98%. This resulted in a in a penalty of \$5,819.51 which has been paid to the County. For the 2008/09 plan year BC has improved this performance level with an average rate of 98.54% through the period March 31, 2009, and has met all other performance criteria. At the end of the 2008/09 plan year performance data will be reconciled and if the objectives are not met, penalties will be paid to the County in August 2009.

The monthly fee for claims administration and network access services for the 2009/10 plan year is \$ \$42.19 per enrollee per month, an increase of 4% over 2008/09. There is an additional \$0.23 per enrollee per month fee added for 24 Hour Nurseline services through Medcall, and \$0.38 per enrollee per month for Stop-Loss filing, for a total per enrollee per month fee of \$42.80, an overall 3.9% increase over the previous plan year. The "per enrollee per month" fee is only assessed on the active employee or retiree who is the enrolled member and is not based upon the total number of dependents an enrollee might have on the plan. Administrative fees paid to Anthem BC under this agreement for FY 2007/08 were \$1,257,966 and projected costs for FY 2008/09 is \$1,143,932. Estimated fees for FY 2009/10 are \$1,227,504 based upon an estimated 2,390 total enrollees; 826 active employees and 1,564 retiree enrollees. Administrative fees paid to BC are paid from the County Health Plan budget index funded by County and employee contributions.

The chart below illustrates the per enrollee per month fee and the total administration fees paid to BC since contract inception.

Plan Year	Per enrollee per month fee	% Change	Total annual administration fees	% Change
2005-06	\$37.15	N/A	\$1,480,745	N/A
2006-07	\$38.26	2.99%	\$1,276,056	-13.82%
2007-08*	\$39.62	3.55%	\$1,257,966	-1.42%
2008-09*	\$41.18	3.94%	\$1,143,932	-9.06%
2009-10*	\$42.80	3.93%	\$1,227,504	7.31%
* Includes Medcall and stop loss filing fees.				
2009-10 administration fees conservatively estimated based on pre open enrollment numbers.				

Background (continued):

Anthem BC has been a good partner with the County and has supported a number of changes the County has implemented over the last few years. In particular, access to the Prudent Buyer Network of physicians, as well as the Blue Card network nationwide, provides County Health Plan members with affordable health care that is both flexible and portable. The County has saved over \$6 million in actual claims costs since selecting Anthem BC. Services provide through Anthem BC will be further evaluated during the next 12 months, with a market analysis through the Joint Labor Management Benefits Committee (JLMBC) to determine whether services under this agreement are in the best value and in the best interest of the County and the County Health Plans participants.

The renewal agreement is the same as last year, with changes to the monthly administrative fees and changing the term of the agreement to coincide with the new plan year to end May 31, 2010. Due to delays by Anthem BC the Amendment to the Agreement has not been received, and has not yet been reviewed by County Counsel. Therefore, the recommended Board action is contingent upon future review and approval by County Counsel of the Agreement Amendment. If there are any issues identified by County Counsel that cannot be resolved, the Amendment will be brought back to your Board for further consideration. To provide background, the current agreement which was approved by County Counsel is on file with the Clerk of the Board.

Based upon the cost savings that have been realized, as well as the improved claims administration services, it is recommended that the County continue to utilize Anthem BC for claims administration and other support services to the three self-insured County Health Plans.

Therefore it is recommended that your Board approve the following:

Authorize the Director of Human Resources to execute an Amendment to the Administrative Services Agreement with Anthem Blue Cross (BC) which includes a 3.9% increase to current administrative costs per enrollee for the term 7/1/09 to 5/31/10, after review and approval of agreement by County Counsel.