

## Policy Level

# PL-BG UMP Third Party Admin Procurement

## Agency Recommendation Summary Text

The Health Care Authority (HCA) requests \$5,947,000 in the 2017-2019 biennium to cover projected costs associated with procuring and implementing a new Public Employees Benefits (PEB) Uniform Medical Plan (UMP) third party administrator (TPA) vendor with a contract effective date of January 1, 2018 and administrative services to begin on January 1, 2020.

## Fiscal Summary

Operating Expenditures	FY 2018	FY 2019	FY 2020	FY 2021
Fund 439-6 UMP Benefits Admin	\$1,825,000	\$4,122,000	\$7,457,000	\$8,270,000
<b>Total Cost</b>	<b>\$1,825,000</b>	<b>\$4,122,000</b>	<b>\$7,457,000</b>	<b>\$8,270,000</b>
Staffing	FY 2018	FY 2019	FY 2020	FY 2021
FTEs	0.0	0.0	0.0	0.0
Revenue	FY 2018	FY 2019	FY 2020	FY 2021
Fund 439-6 UMP Benefits Admin	\$1,825,000	\$4,122,000	\$7,457,000	\$8,270,000
<b>Total Revenue</b>	<b>\$1,825,000</b>	<b>\$4,122,000</b>	<b>\$7,457,000</b>	<b>\$8,270,000</b>
Object of Expenditure	FY 2018	FY 2019	FY 2020	FY 2021
Obj. C – Contracts	\$825,000	\$1,122,000	\$457,000	\$0
Obj. N – Client Services	\$1,000,000	\$3,000,000	\$7,000,000	\$8,270,000

## Package Description

The current UMP TPA contract with Regence BlueShield ends on December 31, 2019. The HCA must competitively re-procure UMP TPA services. Regence may or may not bid successfully for this new contract. This request is for funding to cover the following costs associated with this re-procurement:

- Implementation costs with a new vendor (during the 24-month period January 1, 2018 to December 31, 2019) - \$4,000,000;
- Run out claims processing fees for Regence (during a five-year period January 1, 2020 to December 31, 2024)- \$15,270,000;
- HCA consultant support for the re-procurement and implementation projects; specifically, project management and actuarial services - \$2,404,000.

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## Decision Package Justification and Impacts

### Performance Measure Detail:

#### Activity Inventory

H004 HCA Public Employee Benefits

### What specific performance outcomes does the agency expect?

The HCA expects to secure a high-performing TPA to provide services under a rate lock for a period of at least 10 years. The resulting contract will include performance standards and guarantees. The HCA will also have access to an array of care quality, utilization, and cost management programs the vendor has in place with, or is developing for other customers. These programs will be implemented by the HCA as appropriate with the expectation of increased care quality and reduced claims costs/trend.

#### Implementation costs with new vendor:

The TPA will execute numerous complex implementation activities during calendar years 2018 and 2019, activities such as planning; gathering requirements; specifying, documenting, and implementing systems changes; revising and/or adding provider contracts; and training staff.

#### Runout claims processing:

The HCA expects claims with dates of service prior to January 1, 2020 to be processed accurately and timely by Regence BlueShield, the contractor currently providing UMP TPA services, for a period of five years (calendar year 2020 to calendar year 2024).

#### HCA consultant support:

Project management, technical consultants and actuarial consultants assist the HCA with both the procurement process as well as implementation. Actuarial services shall include; processing of bidders claims repricing files, network adequacy files and access files which are essential in scoring and estimating claims projections for the future contract. Project management services will include; meeting agendas, status updates, executive reports, meeting facilitation and documentation of decisions. Other consultants will be reviewing the request for proposal (RFP) and providing input as to market comparisons and research, performance guarantees and scoring.

### What alternatives were explored by the agency and why was this option chosen?

The HCA considered extending the current contract with Regence BlueShield that has a stated maximum duration through December 31, 2019. After consulting with the Attorney General's Office, the HCA determined that without changes to relevant statutes, the agency would incur significant risk for legal action if it does not re-procure.

### **What are the consequences of not funding this request?**

The HCA will not have sufficient funding to pay for the UMP TPA implementation services, claims run out processing, or technical support services resulting from a required competitive procurement.

### **How has or can the agency address the issue or need in its current appropriation level?**

Current funding is not sufficient to cover the costs associated with the procurement of a new UMP TPA.

### **Provide references to any supporting literature or materials:**

None

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### **Base Budget**

#### **If the proposal is an expansion or alteration of a current program or service, provide information on the resources now devoted to the program or service.**

The HCA assumes that the expenditures for this request will be in both the State Health Care Authority Administration Account (Fund 418 or the Public Employee Benefits (PEB) Administration Account) and the Uniform Medical Plan Benefits Administration Account (Fund 439).

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### **Expenditure, FTE and Revenue Assumptions, Calculations and Details:**

Implementation costs for the new TPA is based on prior experience in implementing our current TPA (Regence BlueShield) and the setup of the UMP Plus plan. The \$4.0 million is a lower end estimate of what it would take for the new vendor to be fully implemented before January 1, 2020.

Project management, technical services and actuarial services costs are based on prior work orders and experience for the following deliverables:

- The Office of Chief Information Officer (OCIO) review;
- Data mapping and file layouts for PEB vendors;
- Network integration;
- Provider networks and searches;
- Accountable care plan data intermediary and integration;
- Provider network adequacy and access in Washington counties and national adequacy for all states;
- Claims and customer service audits;
- Performance guarantee analysis for unit cost and utilization; and
- Contract negotiation support.

Claims runout costs are based on the current contract with Regence BlueShield:

- First twelve months (calendar year 2020) = 10 percent of paid claims;
  - Second twelve months (calendar year 2021) = \$2.54 million;
  - Third twelve months (calendar year 2022) = \$450,000.
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## Impacts to Communities and Other Agencies

### Fully describe and quantify expected impacts on state residents and specific populations served.

Accurate, timely TPA administration of the PEB UMP plans directly affects 238,000 (as of July 2016) PEB Program members per year (employees, retirees, and dependents). Other key stakeholders include state agencies, higher education institutions with members in the PEB Program, and health care providers who provide medical care to these members.

### What are other important connections or impacts related to this proposal?

#### Does this request have:

Regional/county impacts?	Yes <input type="checkbox"/>	No <input checked="" type="checkbox"/>
Other local government impacts?	Yes <input type="checkbox"/>	No <input checked="" type="checkbox"/>
Tribal government impacts?	Yes <input type="checkbox"/>	No <input checked="" type="checkbox"/>
Other state agency impacts?	Yes <input type="checkbox"/>	No <input checked="" type="checkbox"/>

#### Does this request:

Have any connection to Puget Sound recovery?	Yes <input type="checkbox"/>	No <input checked="" type="checkbox"/>
Respond to specific task force, report, mandate or executive order?	Yes <input type="checkbox"/>	No <input checked="" type="checkbox"/>
Contain a compensation change?	Yes <input type="checkbox"/>	No <input checked="" type="checkbox"/>
Require a change to a collective bargaining agreement?	Yes <input type="checkbox"/>	No <input checked="" type="checkbox"/>
Create facility/workplace needs or impacts?	Yes <input type="checkbox"/>	No <input checked="" type="checkbox"/>
Contain capital budget impacts?	Yes <input type="checkbox"/>	No <input checked="" type="checkbox"/>
Require changes to existing statutes, rules or contracts?	Yes <input type="checkbox"/>	No <input checked="" type="checkbox"/>
Have any relationship to or result from litigation?	Yes <input type="checkbox"/>	No <input checked="" type="checkbox"/>

### If "Yes" to any of the above, please provide a detailed discussion of connections/impacts.

Not applicable

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## Information Technology (IT)

**Does this request include funding for any IT-related costs, including hardware, software, services (including cloud-based services), contracts or IT staff?**

No



Yes

Continue to IT Addendum below and follow the directions on the bottom of the addendum to meet requirements for OCIO review.)