

MILWAUKEE COUNTY FISCAL NOTE FORM

DATE: July 2, 2008

Original Fiscal Note ☒

Substitute Fiscal Note ☐

SUBJECT: Request for authorization to contract with UnitedHealthCare for medical plan third party administrative services for January 1, 2012 through December 31, 2014.

FISCAL EFFECT:

- | | |
|--|--|
| <input checked="" type="checkbox"/> No Direct County Fiscal Impact | <input type="checkbox"/> Increase Capital Expenditures |
| <input checked="" type="checkbox"/> Existing Staff Time Required | <input type="checkbox"/> Decrease Capital Expenditures |
| <input type="checkbox"/> Increase Operating Expenditures
(If checked, check one of two boxes below) | <input type="checkbox"/> Increase Capital Revenues |
| <input type="checkbox"/> Absorbed Within Agency's Budget | <input type="checkbox"/> Decrease Capital Revenues |
| <input type="checkbox"/> Not Absorbed Within Agency's Budget | |
| <input type="checkbox"/> Decrease Operating Expenditures | <input type="checkbox"/> Use of contingent funds |
| <input type="checkbox"/> Increase Operating Revenues | |
| <input type="checkbox"/> Decrease Operating Revenues | |

Indicate below the dollar change from budget for any submission that is projected to result in increased/decreased expenditures or revenues in the current year.

	Expenditure or Revenue Category	Current Year	Subsequent Year
Operating Budget	Expenditure	0	\$282,500
	Revenue		
	Net Cost		
Capital Improvement Budget	Expenditure		
	Revenue		
	Net Cost		

DESCRIPTION OF FISCAL EFFECT

In the space below, you must provide the following information. Attach additional pages if necessary.

- A. Briefly describe the nature of the action that is being requested or proposed, and the new or changed conditions that would occur if the request or proposal were adopted.
- B. State the direct costs, savings or anticipated revenues associated with the requested or proposed action in the current budget year and how those were calculated.¹ If annualized or subsequent year fiscal impacts are substantially different from current year impacts, then those shall be stated as well. In addition, cite any one-time costs associated with the action, the source of any new or additional revenues (e.g. State, Federal, user fee or private donation), the use of contingent funds, and/or the use of budgeted appropriations due to surpluses or change in purpose required to fund the requested action.
- C. Discuss the budgetary impacts associated with the proposed action in the current year. A statement that sufficient funds are budgeted should be justified with information regarding the amount of budgeted appropriations in the relevant account and whether that amount is sufficient to offset the cost of the requested action. If relevant, discussion of budgetary impacts in subsequent years also shall be discussed. Subsequent year fiscal impacts shall be noted for the entire period in which the requested or proposed action would be implemented when it is reasonable to do so (i.e. a five-year lease agreement shall specify the costs/savings for each of the five years in question). Otherwise, impacts associated with the existing and subsequent budget years should be cited.
- D. Describe any assumptions or interpretations that were utilized to provide the information on this form.

¹ If it is assumed that there is no fiscal impact associated with the requested action, then an explanatory statement that justifies that conclusion shall be provided. If precise impacts cannot be calculated, then an estimate or range should be provided.

- A. Approval of this request would enable the Division of Employee Benefits to contract with UnitedHealthCare for the administration of Milwaukee County's medical benefit plan coverage.
- B. There is no direct cost impact to the 2011 budget.
- C. There is no budgetary impact to the current year, aside from the time of existing staff. Based on current enrollment, the annual administrative fees paid to UnitedHealthCare would increase by \$282,500 in 2012. There will be no further increases in 2013 and 2014.

The increase in administrative fees is expected to be more than offset by improvements to provider discounts. Based on current enrollment and historical utilization, provider discounts are expected to improve by 2%, yielding savings of approximately \$2,000,000 per year compared to current provider discounts. However, inflationary health care trend will still apply to the County's medical costs during contract period, offsetting any projected savings directly attributable to this contract. Consequently, the savings due to improved provider discounts are not reflected as a reduction in overall costs in this fiscal note.

- D. The estimated impact to administrative cost is based on current enrollment. The estimated impact of the improved provider discounts referenced above assumes enrollment and health care utilization will remain similar in 2012 and beyond. Changes to enrollment, provider mix, or utilization could positively or negatively impact the estimates in this fiscal note.

Department/Prepared By Matthew Hanchek, Fiscal Benefits Manager

Authorized Signature

Did DAS-Fiscal Staff Review?

☐

Yes

☒

No

6/6/11
Gerald J. Schroeder

FINANCIAL RENEWAL AMENDMENT

This Amendment is effective for the period beginning on January 1, 2012 and ending on January 1, 2013 unless otherwise specified.

"Our", "Us" and "We" mean United HealthCare Services, Inc. and/or its affiliated companies, unless indicated otherwise and "You" and "Your" mean Milwaukee County. Any other capitalized terms used have the meanings shown in the governing agreements and/or policies. These terms may or may not have been capitalized in prior contractual documents between the parties but will have the same meaning as if capitalized.

The agreements that are being amended include any and all amendments, if any, that are effective prior to the effective date of this Amendment.

Nothing shown in this Amendment alters, varies or affects any of the terms, provisions or conditions of the agreements other than as stated herein.

The parties, by signing below, agree to amend the agreements contained within Exhibit A herein.

Milwaukee County

United HealthCare Services, Inc.

By _____
Authorized Signature

By _____
Authorized Signature

Print Name _____

Print Name _____

Print Title _____

Print Title _____

Date _____

Date _____

50119829 (06/11)

2011 Renewal (11/10r2)

EXHIBIT A

THE AMENDED FINANCIAL TERMS ARE AS FOLLOWS:

This Exhibit A shall not alter, vary, or affect any previously agreed to financial terms that are not amended by this Exhibit A.

Administrative Services Agreement

Contract No.: 714852

Contractholder: Milwaukee County

The following financial terms are effective for the period January 1, 2012 to January 1, 2015.

Adjustments to Fees

The fees for standard medical service fees described below, excluding optional and non-standard fees, are adjusted as set forth in the applicable performance standards.

The Standard Medical Service Fees are the sum of the following:

- \$27.57 per Employee per month.

Average Contract Size

Your Average Contract Size is 1.92.

The optional and non-standard fees are the sum of the following

Service Description	Fee
Fraud and Abuse Management	Fee equal to thirty-two and five-tenths percent (32.5%) of the gross recovery amount
Hospital Audit Program Services	Fee not to exceed thirty-one percent (31%) of the gross recovery amount
Credit Balance Recovery Services	Fee not to exceed ten percent (10%) of the gross recovery amount.
Third Party Liability Recovery (Subrogation) Services	Fee equal to thirty-three and one-third percent (33.3%) of the gross recovery amount
Facility R&C Bill Management -- We will bill You for the amounts You owe Us. The bill will reflect reductions obtained during the preceding month and adjustments, if any, from previous months	Fee for Our services, equal to thirty percent (30%) of the amount of reductions obtained through Our efforts
Shared Savings Program	You will pay a fee equal to thirty-five percent (35%) of the "Savings Obtained" as a result of the Shared Savings Program. "Savings Obtained" means the amount that would have been payable to a health care provider, including amounts payable by both the Participant and the Plan, if no discount were available, minus the amount that is payable to the health care provider, again, including amounts payable by both the Participant and the Plan, after the discount is taken.

EXHIBIT B

PERFORMANCE STANDARDS FOR HEALTH BENEFITS

The Standard Medical Service Fees (excluding Optional and Non-Standard Fees), (hereinafter referred to as "Fees") payable by You under this Agreement will be adjusted through a credit to your Service Fees in accordance with the performance guarantees set forth below unless otherwise defined in the guarantee. Unless otherwise specified, these guarantees apply to medical benefits and are effective for the period beginning January 1, 2012 and ending on January 1, 2013 ("Guarantee Period"). With respect to the aspects of our performance addressed in this exhibit, these fee adjustments are your exclusive financial remedies.

We reserve the right from time to time to replace any report or change the format of any report referenced in these guarantees. In such event, the guarantees will be modified to the degree necessary to carry out the intent of the parties. We shall not be required to meet any of the guarantees provided for in this Agreement or amendments thereto to the extent Our failure is due to Your actions or inactions or if We fail to meet these standards due to fire, embargo, strike, war, accident, act of God, acts of terrorism or Our required compliance with any law, regulation, or governmental agency mandate or anything beyond Our reasonable control.

Prior to the end of the Guarantee Period, and provided that this Agreement remains in force, We may specify to You in writing new performance guarantees for the subsequent Guarantee Period. If We specify new performance guarantees, We will also provide you with a new Exhibit that will replace this Exhibit for that subsequent Guarantee Period.

Claim is defined as an initial and complete written request for payment of a Plan benefit made by an enrollee, physician, or other healthcare provider on an accepted format. Unless stated otherwise, the claims are limited to medical claims processed through the UNET claims systems. Claims processed and products administered through any other system, including claims for other products such as vision, dental, flexible spending accounts, health reimbursement accounts, health savings accounts, or pharmacy coverage, are not included in the calculation of the performance measurements. Also, services provided under capitated arrangements are not processed as a typical claim; therefore capitated payments are not included in the performance measurements.

Measurements:			
<u>Implementation – Applies to First Year Only</u>			
<u>A formal implementation plan, which defines key tasks, dependencies and completion dates will be developed and</u>			
<u>Initial ID Cards Issuance</u>			
Definition	ID cards will be postmarked within the parameters set forth after the final eligibility data has been system loaded and passed a system load test.		
Measurement	Percentage of cards delivered	99%	
	Delivery time frame, business days or less	business days	10
▪ Criteria	Calculated on a pro-rated basis, based on the actual number of late cards as a percent of the total number of cards. ID card turnaround time guarantees are based on Our performance during the implementation process.		
▪ Level	Customer specific		
▪ Period	Initial implementation timeframe		
Payment Period	Annually		
Fees at Risk	Dollars at Risk for this metric		\$22,200
Payment Amount	Of the Dollars at Risk for this metric, percentage at risk for each gradient		N/A
Gradients	Not applicable		
<u>Claim Ready Date</u>			
Definition	Ready to pay electronic claims by the later of the effective date or within the designated number of days following the completion of key implementation tasks: (i) Account structure and benefit plan details are defined and written approval has been provided by the customer; (ii) final eligibility has been received and successfully tested by Us; and (iii) if so negotiated, deductibles and lifetime maximums from the previous carrier received in a mutually agreed upon format, accurate, and loaded electronically.		
Measurement	Electronic claim ready by effective date or the later of business days or less	business days	18

Criteria	If any additional changes are received or requested after written approval is received, 10 additional business days will be required for changes affecting up to ten benefit plans (sets); 20 additional days will be required for changes affecting ten or more benefit plans (sets).	
Level	Customer specific	
Period	Initial implementation timeframe	
Payment Period	Annually	
Fees at Risk	Dollars at Risk for this metric	\$44,400
Payment Amount	Of the Fees at Risk for this metric, percentage at risk for each gradient	N/A
Gradients	Not applicable	
Eligibility Loading		
Definition	Initial implementation electronic eligibility files will be loaded within the timeframe set forth following receipt of clean eligibility file.	
Measurement	Files loaded, in business days or less	business days 5
Criteria	Clean eligibility file once approved by You and/or Your designee and Us, which must be: a) error free; b) formatted per Our standards; and c) received by 12:00 p.m., EST on the scheduled date, or the guarantee period starts the following business day.	
Level	Customer specific	
Period	Initial implementation timeframe	
Payment Period	Annually	
Fees at Risk	Dollars at Risk for this metric	\$44,400
Payment Amount	Of the Fees at Risk for this metric, percentage at risk for each gradient	N/A
Gradients	Not applicable	
General Implementation		
Definition	We will meet a defined percentage of the project dates in the implementation plan.	
Measurement	Percentage of project dates met	95%
Criteria	A formal implementation plan, which defines key tasks, dependencies and completion dates will be developed and agreed to by both parties. Failure on the customer's part to complete, by the agreed upon dates, the key dependent tasks associated with the project dates will nullify this guarantee.	
Level	Customer Specific	
Period	Initial implementation timeframe	
Payment Period	Annually	
Fees at Risk	Dollars at Risk for this metric	\$22,200
Payment Amount	Of the Fees at Risk for this metric, percentage at risk for each gradient	N/A
Gradients	Not applicable	
Claim Operations		
Time to Process in 10 Days		
Definition	The percentage of all claims We receive in any will be processed within the designated number of business days of receipt.	
Measurement	Percentage of claims processed	94%
	Time to process, in business days or less after receipt of claim	business days 10
Criteria	Standard claim operations reports	
Level	Site Level	
Period	Annually	
Payment Period	Annually	
Fees at Risk	Dollars at Risk for this metric	\$44,400
Payment Amount	Of the Fees at Risk for this metric, percentage at risk for each gradient	20%
Gradients	11 business days 12 business days 13 business days 14 business days 15 business days or more	
Financial Accuracy (FAR)		
Definition	Financial accuracy rate of not less than the designated percent.	
Measurement	Percentage of claims dollars processed accurately	99.3%

▪ Criteria	Statistically significant random sample of claims processed is reviewed to determine the percentage of claim dollars processed correctly out of the total claim dollars submitted for payment.	
▪ Level	Office Level	
▪ Period	Annually	
Payment Period	Annually	
Fees at Risk	Dollars at Risk for this metric	\$44,400
Payment Amount	Of the Fees at Risk for this metric, percentage at risk for each gradient	20%
Gradients	99.29% - 99.06% 99.05% - 98.81% 98.80% - 98.56% 98.55% - 98.30% Below 98.30	
Procedural Accuracy		
Definition	Procedural accuracy rate of not less than the designated percent.	
Measurement	Percentage of claims processed without procedural (i.e. non-financial) errors	97%
▪ Criteria	Statistically significant random sample of claims processed is reviewed to determine the percentage of claim dollars processed without procedural (i.e. non-financial) errors.	
▪ Level	Office Level	
▪ Period	Annually	
Payment Period	Annually	
Fees at Risk	Dollars at Risk for this metric	\$44,400
Payment Amount	Of the Fees at Risk for this metric, percentage at risk for each gradient	20%
Gradients	96.99% - 96.50% 96.49% - 96.00% 95.99% - 95.50% 95.49% - 95.00% Below 95.00%	
Member Phone Service		
Phone service guarantees and standards apply to Participant calls made to the customer care center that primarily services Your Participants. They do not include calls made to care management personnel and/or calls to the senior center for Medicare Participants, nor do they include calls for services/products other than medical, such as mental health/substance abuse, pharmacy, dental, vision, flexible spending accounts, Health Reimbursement Account, Health Savings Account, etc.		
Average Speed of Answer		
Definition	Calls will sequence through our phone system and be answered by customer service within the parameters set forth.	
Measurement	Percentage of calls answered	100%
	Time answered in seconds, on average	seconds 30
▪ Criteria	Standard tracking reports produced by the phone system for all calls	
▪ Level	Team that services Your account	
▪ Period	Annually	
Payment Period	Annually	
Fees at Risk	Dollars at Risk for this metric	\$44,400
Payment Amount	Of the Fees at Risk for this metric, percentage at risk for each gradient	20%
Gradients	32 seconds or less 34 seconds or less 36 seconds or less 38 seconds or less Greater than 38 seconds	
Abandonment Rate		
Definition	The average call abandonment rate will be no greater than the percentage set forth	
Measurement	Percentage of total incoming calls to customer service abandoned, on average	2%
▪ Criteria	Standard tracking reports produced by the phone system for all calls	
▪ Level	Team that services Your account	
▪ Period	Annually	
Payment Period	Annually	

Fees at Risk	Dollars at Risk for this metric	\$44,400
Payment Amount	Of the Fees at Risk for this metric, percentage at risk for each gradient	20%
Gradients	2.01% - 2.50% 2.51% - 3.00% 3.01% - 3.50% 3.51% - 4.00% Greater than 4.00%	
Call Quality Score		
Definition	Maintain a call quality score of not less than the percent set forth	
Measurement	Call quality score to meet or exceed	93%
▪ Criteria	Random sampling of calls are each assigned a customer service quality score, using our standard internal call quality assurance program.	
▪ Level	Office that services Your account	
▪ Period	Annually	
Payment Period	Annually	
Fees at Risk	Dollars at Risk for this metric	\$44,400
Payment Amount	Of the Fees at Risk for this metric, percentage at risk for each gradient	20%
Gradients	92.99% - 91.00% 90.99% - 89.00% 88.99% - 87.00% 86.99% - 85.00% Below 85.00%	
Satisfaction		
Employee (Member) Satisfaction		
Definition	The overall satisfaction will be determined by the question that reads "Overall, how satisfied are you with the way we administer your medical health insurance plan?"	
Measurement	Percentage of respondents, on average, indicating a grade of satisfied or higher	80%
▪ Criteria	Operations standard survey, conducted over the course of the year; may be customer specific for an additional charge.	
▪ Level	Office that services Your account	
▪ Period	Annually	
Payment Period	Annually	
Fees at Risk	Dollars at Risk for this metric	\$22,200
Payment Amount	Of the Fees at Risk for this metric, percentage at risk for each gradient	N/A
Gradients	Not applicable	
Customer Satisfaction		
Definition	The overall satisfaction will be determined by the question that reads "How satisfied are you overall with UnitedHealthcare?"	
Measurement	Minimum score on a 10 point scale	score 5
▪ Criteria	Standard Customer Scorecard Survey	
▪ Level	Customer specific	
▪ Period	Annually	
Payment Period	Annually	
Fees at Risk	Dollars at Risk for this metric	\$22,200
Payment Amount	Of the Fees at Risk for this metric, percentage at risk for each gradient	N/A
Gradients	Not applicable	

EXHIBIT C

NETWORK PROVIDER DISCOUNTS

Adjustment to Standard Service Fees

The Standard Medical Service Fees (excluding Optional and Non-Standard Fees), (hereinafter referred to as "Fees") for Employees covered under the UnitedHealthcare Choice portion of the Plan, payable by You under this Agreement, will be adjusted through a credit to your Fees in accordance with the Network Provider Discount Guarantee set forth in this Exhibit. Unless otherwise specified, these provider discounts are effective for the period from January 1, 2012 to January 1, 2013. The settlement of provider discounts will be performed on an annual basis at the time of the year end reconciliation.

Choice Network Discount Guarantee	
Actual Network Discounts	Percentage Adjustment to ASO Fees
Less than 44.3%	-10.0%
44.3% to 45.3%	-8.0%
45.3% to 46.3%	-6.0%
46.3% to 47.3%	-4.0%
47.3% to 48.3%	-2.0%
48.3% or Greater	0.0%

Assumptions

- Target in-Network Provider Choice Discount Percentage 51.3%.
- The target discount percentage is based on the current distribution percentage of in-network employees by market. The current distribution for the larger markets is illustrated below. The distribution of smaller markets is combined into the All Other market.
- Savings are defined as the sum of the difference between the covered billed charges (excluding ineligible and not covered charges) submitted by the Network Provider and the amount based on the negotiated rate with that provider. This may also include specially negotiated discounts with Network Providers in outlier claim situations.
- We reserve the right to exclude claims billed utilizing billing software, showing billed charges (excluding ineligible and not covered charges) equal to the negotiated rate from this guarantee.
- Claims where We are the secondary payor are excluded from the Network Savings and Network Savings Factor determination.
- Mental Health/Substance Abuse claims are excluded.
- Medicare and Out of Area subscribers are excluded.
- We reserve the right to revise the target discount percentage should there be a significant change in this Employee distribution (+ or - 10% change in any of the markets identified below). The figures above are based upon the following markets and Employee counts:

Market	Employee Distribution
Milwaukee County	5,655
Other	243
Total/Average	5,898