

COUNTY OF MILWAUKEE
DEPARTMENT OF HUMAN RESOURCES
INTER-OFFICE COMMUNICATION

DATE : November 13, 2019

To : Chairman Theodore Lipscomb Sr., County Board of Supervisors

FROM : Tony L. Maze, Director of Benefits Administration – Department of Human Resources

SUBJECT : Report from the Director of Benefits Administration, Employee Benefits Division, Department of Human Resources, regarding contract extensions with UnitedHealthcare and Optum Rx for Third Party Administrative (TPA) services for Milwaukee County and Milwaukee County Transit System (MCTS)

Issue/Background

Milwaukee County's current contract with UnitedHealthcare for TPA services for the Milwaukee County and Milwaukee County Transit System health plan and UnitedHealthCare's subsidiary, Optum Rx, for Pharmacy Benefit Manager current contract expires on December 31, 2019.

The Milwaukee County Employee Benefits Division, Milwaukee County Transit System and the City of Milwaukee evaluated all options presented by Willis Towers Watson in an RFP and found that UnitedHealthcare and Optum Rx is uniquely positioned, by virtue of the strength of their provider network contracts in the greater Milwaukee area, to administer the health plans and prescription drugs administration for Milwaukee County, Milwaukee County Transit System, and the City of Milwaukee.

Medical Third-Party Administration (TPA) RFP:

The RFP was sent to the following vendors:

1. Anthem
2. CIGNA
3. UnitedHealthCare (UHC)

Responses were received from all of the vendors. The most recent analysis suggests a significant narrowing of the network size and discount differentials that exist between Anthem/ CIGNA and UHC. Further, Anthem was willing to offer a narrow network alternative.

UHC ultimately had the best price and value. We also requested the following terms from UHC and they agreed:

United Healthcare

- No change in medical plan administrative fees over current for 2020 and 2021.

- Nurse liaison program provided at a discounted rate for Milwaukee County and MCTS, if they elect to use this service over the term of the agreement.
- Provide a list of optional services that are currently purchased by each organization, the current cost of those services and the rates that will apply over the term of the agreement to each organization that purchases or may purchase such services in the future.
- Provide a list of services available today but not purchased by any of these entities, the current cost and the cost if they are purchased by any or all the entities during the term of the agreement.
- Work with Milwaukee County and MCTS to explore ways to better engage and manage high cost claimants and other members identified by your predictive modeling that might become high cost.
- Agree to process claims for the existing Milwaukee County clinic and the clinic claims of the other organizations during the term of the agreement at no cost.

Prescription Drug RFP:

The RFP was sent to the following vendors:

4. Anthem
5. CVS Caremark
6. EmpiRx
7. Express Scripts
8. Navitus
9. OptumRx
10. ProAct

Responses were received from all of the vendors with the exception of EmpiRx; EmpiRx does not possess an owned EGWP administrative capability. They have been working on partnerships with other firms to fulfill this need but did not feel their solution would be competitive when compared to the others. As a result, they regretfully declined. There were no additional inquiries made from other firms interested in providing a response.

Analysis of responses from PBM's has always been challenging. There are numerous contractual provisions that can be utilized to change the optics associated with the following:

1. Rebates - there is differing language regarding how rebates are calculated. We have leveled the playing field as best we can but are continuing to pursue a better understanding of the terms each firm provided. We believe that the CVS rebates may be overstated due to the method by which rebates were calculated.
2. Discounts - discounts are generally expressed as a percentage off of actual wholesale price (AWP). This should be a fixed amount that is published by a single source. However, there is latitude with respect to how discounts are calculated. To the best of our ability we have leveled the playing field on discounts.
3. Dispensing fees - under a traditional arrangement these typically represent the average amount which is passed on to individual pharmacies. These can also be manipulated via offsets from other revenue sources such as rebates and "spread." Spread is the difference

between the contracted guaranteed amount and what is actually reimbursed to the pharmacies.

Summary of Request

The Benefits Division agrees with Willis Towers Watson's assessment that based on the network access and discounts, there is no compelling reason to move from UHC and Optum RX. Consequently, the Benefits Division recommends approval contract extensions with UnitedHealthcare and Optum Rx for Third Party Administrative (TPA) services for Milwaukee County and Milwaukee Transit System.

CC: County Executive Chris Abele
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Julie Landry, Chief Human Resources Officer
Margaret Daun, Corporation Counsel
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