



Memorandum

TO: HONORABLE MAYOR
AND CITY COUNCIL

FROM: Mark Danaj

SUBJECT: SEE BELOW

DATE: March 25, 2009

Approved

Christine J Shipley

Date

3/26/09

COUNCIL DISTRICT: Citywide
SNI AREA: N/A

SUBJECT: ADOPT A RESOLUTION AUTHORIZING THE CITY MANAGER TO NEGOTIATE AND EXECUTE AN AGREEMENT WITH MEDEXPERT INTERNATIONAL TO PROVIDE TOTAL HEALTH AND DISEASE MANAGEMENT (THDM) SERVICES AS A PILOT WELLNESS PROGRAM FOR HEALTH CARE COST CONTAINMENT TO ELIGIBLE EMPLOYEES AND THEIR DEPENDENTS AND RETIREES AND THEIR BENEFICIARIES

RECOMMENDATION

It is recommended that City Council adopt a resolution:

- Authorizing the City Manager to negotiate and execute a Total Health and Disease Management (THDM) service agreement with MedExpert International, Inc., through June 30, 2010. The total cost for the initial agreement period will not exceed \$304,010 (\$42,420 for the remainder of FY 08-09 and \$261,590 for FY 09-10).
- Authorizing the City Manager to execute two options to extend the term of the Agreement through fiscal year 2012 and increase the annual amounts not to exceed \$296,940 for Option 1 (FY 2010-2011) and not to exceed \$296,940 for Option 2 (FY 2011-2012), subject to the appropriation of funds by the City Council.
- Authorizing the City Manager to negotiate and execute Confidentiality and Indemnification Agreements with MedExpert International, Inc., Kaiser Permanente, Blue Shield of California, and UnitedHealth Company in order to implement the THDM.

OUTCOME

On June 17, 2008, the Council approved agenda item 3.7 (c) titled: Actions Related to Retiree Healthcare, which approves and directs staff to move forward with pilot total health care management and risk reduction strategies through the wellness program for eligible employees and retirees. Eligible employees are those full-time and part-time employees who are eligible for the

City's health benefits. Approval of this proposed resolution will allow the City Manager to negotiate and execute a contract to provide a pilot program for cost containment THDM services to eligible employees and their dependents and retirees and their beneficiaries. This pilot risk reduction strategy is designed to increase the health of employees and retirees and potentially reduce medical claim cost trends.

The return on investment (ROI) for similar THDM programs based on the experience of MedExpert International, Inc., ranges from four to eight. For every dollar invested in this program, the City should expect to receive four to eight dollars in return as measured by lower healthcare cost.

EXECUTIVE SUMMARY

In October 2008, staff initiated a Request for Proposal (RFP) process for the City's THDM Services to obtain an independent, third party, care management vendor. Eight (8) vendors responded to the City's RFP, many of which are nationally renowned industry leaders for employee wellness and risk reduction programs. The vendors submitted a wide range of programs, delivery models, cost parameters, and outreach campaign options. The top four (4) vendors were invited to a panel interview, consisting of key stakeholders, including Human Resources, City Physician, Retirement Department, labor and retiree representatives.

The interview panel unanimously determined that MedExpert International, Inc. would provide the best value in THDM Services. As a result of this RFP process, staff is recommending that Council authorize the City Manager to negotiate and execute an agreement with MedExpert International, Inc., to provide THDM benefits as a pilot program for cost containment to eligible City employees and their dependents and retirees and their beneficiaries.

BACKGROUND

Solutions are needed to reduce the rising cost of health care for both retirees and active employees. In June 2008, a presentation to City Council on the Retiree Health Care issue garnered Council's enthusiastic support for developing new wellness initiatives, whereby the City approved a two-year pilot wellness program in the FY 2008-2009 budget. Funding for this initial contract period, including funding received from the City's current healthcare providers Kaiser and Blue Shield, has been appropriated as part of the Citywide care management initiative and risk reduction strategy, and this funding extends through FY 2009-2010.

In October 2008, a THDM RFP was issued to obtain a vendor specializing in chronic condition care, disease management, patient decision support for treatment alternatives, and wellness education.

ANALYSIS

Introduction

All eligible employees and their dependents as well as retirees and their beneficiaries will be eligible to participate in the pilot THDM program. At the conclusion of the pilot program, an evaluation will

be conducted to determine whether the program is helpful in improving the health of employees and retirees and reducing healthcare cost, and, therefore, whether the program should be continued.

Participation in the care management program will be voluntary. No fee will be charged to the participants for services. Once signed up for the program, participants may call and request assistance from MedExpert's physicians and patient advocates on any health topic or question.

The City will provide MedExpert with the following protected health information (PHI) for City employees: name, date of birth, gender, city, state, zip code, home telephone number and cell phone number. The City will also provide MedExpert with the following PHI for City retirees: name, date of birth, gender, city, state, zip code and home telephone number. This is consistent with City's "Privacy Notice," which the City provides to all employees, informing them that the City may disclose their PHI in order to administer health care operations as necessary to provide coverage and services. MedExpert will only use this information for the purposes of verification and authorization and not for any other purposes unless an individual employee or retiree provides MedExpert with written authorization.

All other PHI and City medical claims data will be provided to MedExpert through participants' healthcare plans, or by the participants themselves. Participants must give written consent to MedExpert before MedExpert is able to access individual data. All PHI will be held by MedExpert as confidential information and may not be released to the City.

THDM Services

THDM services are designed to contain medical costs by directing participants to the best, and most appropriate, medical care. Ultimately, the best, most appropriate state of the art medical care is less costly because it eliminates unnecessary and/or less effective methods. To accomplish this goal, it is important that patients be knowledgeable health care consumers.

MedExpert's staff will be available to participants by telephone during regular office hours and by e-mail 24 hours a day, seven days a week. THDM services will include consultation with a physician, who will provide, explain and answer questions based on peer-reviewed medical journals, publications and similar generally accepted information sources relevant to the participant's medical issue. A physician will also help the participant understand the pros and cons of all treatment options, including more cost-effective pharmaceutical options, and will provide support through the participant's decision making process. The physician will follow up with the participant after medical appointments to answer any additional questions the participant may have, and the physician will direct MedExpert's patient advocacy staff in providing other support services as appropriate. MedExpert's staff will continue to follow up until the participant no longer needs support.

MedExpert physicians will not provide direct medical care to participants, but they will provide advice about best practices in order to support and enable the participant to obtain the best care from the participant's treating physician and other healthcare providers.

MedExpert will obtain the medical claims data of City employees directly from the City's current healthcare providers, Blue Shield, Kaiser, and UnitedHealth Company contingent upon execution of written confidentiality agreements between MedExpert and each provider. (The City will not have access to individual claims records.) MedExpert will analyze this claims data to identify areas where improving health outcomes will result in cost reductions for the City.

MedExpert will conduct outreach campaigns to all City employees to offer THDM services and information through an automated phone outreach system to employees' work phone numbers, or through work emails. Employees who are interested in receiving information or services will immediately be transferred to sign up for the program. Retirement Department will send THDM outreach information through regular mail to retirees. Retirees, who are interested in receiving additional information or services, may call or e-mail MedExpert to sign up for the program.

Upon receiving written permission from individual plan participants, MedExpert will provide treatment decision support, review personal medical claims data, coordinate appointments, facilitate reducing wait times for appointments and assist with the transfer of medical records to ensure that participants are treated quickly. These services will help reduce the amount of time participants spend coordinating medical care, which is expected to result in further cost-savings for the City.

MedExpert will provide support to program participants on diseases and injuries, including some of the City's more common medical needs. Services will include:

- ◆ Facilitate open communication between patients and their physicians, ensuring that all treatment options have been explored and explained to the participant.
- ◆ Help patients obtain complete and accurate diagnoses and determine whether necessary testing has been performed to determine that the participant's diagnosis is accurate and comprehensive.
- ◆ Provide patient advocacy through care coordination, physician phone consultations and coaching, as well as facilitating treatment plans with the patient's providers to ensure that high quality, appropriate health care services are promptly available.
- ◆ Help participants understand and carry out their own critical role in the treatment plan.
- ◆ Educate program participants on the importance of adherence to treatment plans.
- ◆ Manage maternity cases to help increase the probability of a healthy delivery.
- ◆ Assist participants in understanding choices available within their health plans as well as guide participants in identifying and accessing proficient providers to meet the participants' needs.
- ◆ Provide participants with an evaluation of treatment facilities.
- ◆ Assist program participants with serious diseases with the ability to effectively evaluate physicians and hospitals that have special expertise, new technologies and/or resources to diagnose, treat and manage rare disorders.
- ◆ Help participants compare pharmaceutical options and evaluate the pros and cons of more cost-effective pharmaceutical choices.
- ◆ Increase awareness of healthcare resources for chronic conditions, such as high blood pressure, diabetes, chronic pain, asthma, hypertension, etc.

Reporting

MedExpert will provide the City with monthly, quarterly and annual care management program reports which staff will evaluate and document to ensure success of the program. MedExpert will remove all identifying information from all care management program reports to protect participants' privacy rights under state and federal law and will remain in compliance with the Health Insurance Portability and Accountability Act (HIPAA) and other state and federal privacy laws.

Agreements with Health Care Providers

The Agreement with MedExpert is contingent on the City and MedExpert entering into Confidentiality and Indemnification Agreements with each of the City's healthcare providers. These agreements will specify the parameters of the transfer of information from the healthcare provider to MedExpert, and indemnify the City and the healthcare providers against any misuse of that information. Staff is currently negotiating those Agreements with Kaiser, Blue Shield and United Health.

RFP PROCESS

RFP Posting and Targeted Outreach

The City posted the RFP on the City's Bidline. Staff also sent direct mail letters announcing the RFP to eleven (11) companies known within the industry as leaders in care management and employee wellness. This targeted mailing was based on staff internet research, benefit consultant recommendations and published lists of vendors offering these services.

The City received proposals from eight (8) managed care organizations: Accordant, Alere, Diversity Wellness, Focused Health Solutions, Life Masters, MedExpert International, Inc., Strategic Health Services and U.S. Managed Care.

Evaluation Criteria

The RFP primary and secondary selection criteria are outlined below:

- Experience working with large and or government organizations
- Overall approach to THDM
- Completeness of response to RFP
- Value to the City of San José and its employees, retirees and dependents
- Local Enterprise preference
- Small Business preference
- Cost for providing services

The eight (8) proposals were individually reviewed and rated by a Human Resources panel consisting of the City's Risk Manager, City Physician, Employee Benefits Manager and Wellness

Program Analyst using the RFP evaluation criteria. The following table contains the composite ranking:

Vendor Name	Accord ant	Alere	Diversity Wellness	Focused Health Solutions	Life Masters	MedExpert	Strategic Health Services	US Managed Care
Total % of 100 points available	46.45%	48.05%	52.05%	31.85%	43.86%	62.5%	25.5%	48.2%
Ranking	5th	4th	2nd	7th	6th	1st	8th	3rd

Based on the composite ranking, the top four (4) vendors, Alere, Diversity Wellness, MedExpert International, Inc., and U.S. Managed Care were invited to a structured interview.

Vendor Interviews and Selection

The RFP vendor interview panel consisted of representatives from Human Resources, City Physician, the Retirement Department, and two Benefits Review Forum (BRF) labor and retiree association representatives.

Vendors were provided the interview questions in advance. Responses to the interview questions were provided by the vendors in writing and in person at the panel interview. During the vendor interviews, the panel focused on the vendor’s overall experience in the industry, ability to coordinate services with the City’s health plans, experience and willingness to develop City specific communication campaigns designed to encourage employee participation in a care management program. Ultimately, the vendor needed to demonstrate value through returns on investment, including better medical outcomes for patients and lower medical costs for the City and participants.

The interview panel reached a unanimous decision to recommend MedExpert International, Inc., as the best care management vendor for the Total Health and Disease Management RFP.

PUBLIC OUTREACH/INTEREST

- Criteria 1:** Requires Council action on the use of public funds equal to \$1 million or greater; **(Required: Website Posting)**
- Criteria 2:** Adoption of a new or revised policy that may have implications for public health, safety, quality of life, or financial/economic vitality of the City. **(Required: E-mail and Website Posting)**
- Criteria 3:** Consideration of proposed changes to service delivery, programs, staffing that may have impacts to community services and have been identified by staff, Council or a Community group that requires special outreach. **(Required: E-mail, Website Posting, Community Meetings, Notice in appropriate newspapers)**

Although this project does not meet the \$1 million threshold for Criterion 1, this memorandum is posted on the City's website for the April 7, 2009 Council Agenda.

COORDINATION

This memorandum has been coordinated with the Offices of the City Attorney and Employee Relations, the Retirement Department and the City Manager's Budget Office.

In addition, the City's bargaining units have been notified of the pilot program and have until March 19, 2009, to notify the City of any concerns. As of the date of this memo, only the San José Firefighters, IAFF Local 230 has notified the City of a request to meet and confer and demanded that employees represented by Local 230 be excluded from the pilot program until such time as Local 230's meet and confer demand has been obliged.

COST SUMMARY/IMPLICATIONS

MedExpert International, Inc. provided a rate guarantee of \$2.10 per month per eligible employee/retiree for the first 12 months of the contract period. A rate change will go into effect on the anniversary date of the Agreement and will be guaranteed at a rate of \$2.45 per eligible employee/retiree through June 30, 2012. As of July 1, 2010 the City will have two options to extend the term of the Agreement through fiscal year 2012 and increase the contract amounts to \$296,940 for Option 1 (FY 2010-2011) and \$296,940 for Option 2 (FY 2011-2012), at the same guaranteed rate of \$2.45 per eligible employee/retiree, subject to the appropriation of funds by the City Council. These rates include the cost of coverage for the dependents of eligible employees and beneficiaries of retirees.

Currently, the City funding for the employee component of the pilot wellness program is budgeted for a two-fiscal year period ending June 30, 2010. Should additional funding be appropriated by Council, this contract could be extended past that time.

The following table summarizes the City's costs for THDM services by MedExpert. The proposed monthly costs are based on a guaranteed rate multiplied by the total number of eligible employees/retirees per month with an initial projection of 10,100 eligible employees/retirees. Actual costs will vary from month to month as enrollment will fluctuate.

Total Health and Disease Management Services by MedExpert	FY 2008-2009	FY 2009-2010
Estimated cost per fiscal year	\$63,630	\$243,915

*Should additional funding be appropriated by Council for FY 2010-2011 and/or FY 2011-2012, the cost estimate is \$296,940 for services for FY 2010-2011 and FY 2011-2012 at the guaranteed rate of \$2.45 per eligible employee/retiree.

HONORABLE MAYOR AND CITY COUNCIL

March 25, 2009

Subject: Approval of a resolution for a Total Health and Disease Management Contract

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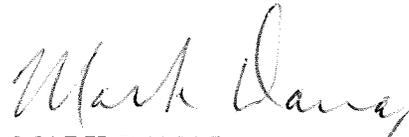
BUDGET REFERENCE

The table below identifies the fund and appropriations proposed to fund the agreement for the period of May 1, 2009 to June 30, 2010, recommended as part of this memo.

Fund #	Appn #	Appn. Name	Total Appn.	Adopted 2008-2009 Budget Page	Last Budget Action (Date, Ord. No.)
001	0482	HR NP Services	\$1,120,292	VII-70	10/21/08, 28422

CEQA

Not a project.


MARK DANA
Director, Human Resources

For questions please contact John Dam, Deputy Director of HR at (408) 975-1438.