

CUMBERLAND COUNTY FINANCE COMMITTEE
May 11, 2004, 2:00PM
Special Meeting

PRESENT: Commissioner Kenneth Edge, Chairman
Commissioner Talmage S. Baggett
Commissioner John T. Henley, Jr.
James Martin, County Manager
Juanita Pilgrim, Deputy County Manager
Cliff Spiller, Asst. County Manager
Amy Cannon, Asst. County Manager
Grainger Barrett, County Attorney
Mark Browder, Mark III Brokerage, Inc.
Representatives from NCACC/BCBS
Representatives from JSL/Doctors Direct
Chico Silman, County Risk Management
Marsha Fogle, Clerk to the Board

1. Consideration of medical insurance proposals

BACKGROUND: Mr. Browder noted that he sent NCACC/BCBS, JSL/Doctors Direct and United Healthcare updated large loss claim and experience information to allow them an opportunity to revise their previous proposals and to remove contingencies from their bids. NCACC/BCBS and United Healthcare provided firm proposals. JSL/Doctors Direct advised BCBS had not provided them with enough information to offer a firm proposal. Therefore, its initial proposal stands.

Mr. Browder stated that if the County should decide to terminate its contract with NCACC/BCBS, claims incurred prior to July 1, 2004, and paid after that date would have to be administered. BCBS said its administrative cost to handle the runout claims is 19% of paid claims. An estimate of the cost is \$250,169, which would be added to the expected 2004-05 cost for the medical plan if a change is made.

Mr. Browder noted that United Healthcare presented the most competitively priced package, although by a narrow margin. He advised that all bidders would provide a quality service to the County and he has worked with each of them.

Mr. Browder also presented a breakdown of pharmacy rebates from all three firms that could be returned to the County (See Attached Handout).

Mr. Browder also reviewed his analysis comparing NCACC/BCBS and United Healthcare, to include runout claims administration and rebates. (See attached).

Based on the information received, Mr. Browder recommended that the County remain with NCACC/BCBS for the following reasons:

- the service to employees has been good;
- the quote from JSL/Doctors Direct is not firm and potentially exposes the County to addition risk, and it is the least competitive total cost proposal of the three finalists;

- while United Health Care proposal is the most financially competitive, adding the runout claims administration to the total 2004-05 cost makes it difficult to justify changing for a slight financial benefit.

Mr. Browder reiterated that all three vendors would do an excellent job for the county.

Commissioner Henley noted concern that BCBS has not shared the necessary information with JSL/Doctors Direct in order for it to make a firm proposal. The information JSL/Doctors Direct is seeking is standard reinsurance industry disclosure information, according to Graham Blanton of Doctors Direct. The BCBS representative stated its policy is not to disclose confidential case management notes.

Commissioner Henley said the process is not a fair one as not everyone has the same information.

Mr. Graham Blanton of JSL/Doctor Direct said he did not understand why the County could not get a report on case management by NCACC/BCBS. He noted the County is self-insured and has contracted with NCACC/BCBS to administer the program; therefore, the information belongs to the County.

Chairman Edge said he was most concerned about making sure county employees have good health insurance while still being a good steward of the county money. He expressed concern that this process takes place too late in the fiscal year which causes the Board to have to rush to make a decision. He also said he did not think the companies should be allowed to change their original proposals.

Commissioner Baggett said that we should start the process sooner.

The county manager said that county staff will implement whatever decision the Board makes in a timely manner.

In response to a question concerning the reduction in NCACC/BCBS's proposal, the NCACC representative noted that updated information available to them in claims allowed them to reduce their claims estimate (which the County would be responsible for as a self-insured entity) although the administrative fees did not change.

In response to a question from Commissioner Baggett, the County Manager said it was management's recommendation that the County stay with BCBS based on Mr. Browder's recommendations.

MOTION: Commissioner Baggett moved to follow management's recommendation to stay with BCBS.

SECOND: Commissioner Edge

SUBSTITUTE

MOTION: Commissioner Henley moved that the Committee agree to review the original proposals submitted by the three vendors.

Commissioner Henley said he could not understand why Doctors Direct could not get the information it needs to make a firm offer. He also

expressed concern that Doctors Direct had a maximum of 36 hours to respond to the additional information provided. Commissioner Henley does not think the Committee should consider the new bids.

The County Manager noted the relative positive of the bids has not changed from the first bid to this current proposal.

Commissioner Henley noted concern about BCBS 19% run-out claims administration cost, if the County were to change.

MOTION DIED FOR LACK OF A SECOND.

VOTE ON ORIGINAL

MOTION: FAVOR: Commissioners Baggett and Edge
OPPOSED: Commissioner Henley

MOTION: Commissioner Henley moved that we directly request that BCBS provide the County its large claim and other information in whatever format the County needs so we can have this information available and bid this health insurance on a calendar year basis that ends December 31 of each year.

SECOND: Chairman Edge
VOTE: UNANIMOUS

MOTION: Commissioner Henley moved to allow JSL/Doctors Direct to respond to the new information that has come in, put it in a spreadsheet format and firm up the quote, get Pacific Life, its reinsurer, to remove its stop-loss contingencies, and provide this information to the Board of Commissioners on Monday night.

DIED FOR LACK OF A SECOND

MOTION: Commissioner Henley moved to allow JSL/Doctors Direct to submit a complete proposal to include reinsurance issues to be considered by Mark III Brokerage using the same spreadsheet format. This would require BCBS as current administrator providing some data on certain large-loss cases. This information will be made available to the Board at the Commissioners' meeting on May 17.

SECOND: Chairman Edge

DISCUSSION: Commissioner Edge inquired if Doctors Direct would be getting an unfair advantage.

VOTE: FAVOR: Commissioners Edge and Henley
OPPOSED: Commissioner Baggett

MOTION: Commissioner Henley moved to go into Closed Session pursuant to NCGS 143-318.11(a)(3) for an attorney client matter.

SECOND: Commissioner Baggett
VOTE: UNANIMOUS

MOTION: Commissioner Baggett moved to go back into Open Session.
SECOND: Commissioner Henley
VOTE: UNANIMOUS

MEETING ADJOURNED