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OFFICE OF THE COUNTY AUDITOR INTEROFFICE MEMORANDUM

TO: All Council Members
FROM: Lauren M. Smelkinson, County Auditor *LMS*
DATE: September 15, 2015
SUBJECT: Addendum to Council Meeting Notes

Please find attached an addendum (FM-2 and FM-5) to the Council Meeting Notes issued September 10, 2015.

These items will be discussed at the September 15, 2015 work session for the September 21, 2015 Council meeting.

Attachment

cc: notes distribution list

FM-2 (Contract)

Council District(s) All

Office of Budget and Finance

Benefits

The Administration is requesting approval of a contract with Cigna Health and Life Insurance Company and Cigna Healthcare Mid-Atlantic, Inc. to provide pharmacy benefits management services for eligible active employees and Medicare and non-Medicare retirees of the County General Government, Library, Revenue Authority, Public Schools, and Community College. The contract commences January 1, 2016, continues for 3 years, and may be renewed for seven additional 1-year periods with the option to further extend the initial term or any renewal term an additional 90 days. The contract does not specify a maximum compensation for the initial 3-year term or for the entire 10-year and 3-month term, including the renewal and extension periods. Estimated compensation (for both administrative fees and claims costs) totals \$378.1 million for the initial 3-year term and \$1.3 billion for the entire 10-year and 3-month term, including the renewal and extension periods. See Exhibit A.

Fiscal Summary

<u>Funding Source</u>	<u>Initial Term</u>	<u>Total Compensation</u>
County ⁽¹⁾	\$ 378,052,507	\$ 1,291,679,399
State	---	---
Federal	---	---
Other	---	---
Total	\$ 378,052,507 ⁽²⁾	\$ 1,291,679,399 ⁽³⁾

⁽¹⁾ Health Insurance and OPEB Trust Funds.

⁽²⁾ Estimated compensation for the initial 3-year term. Estimated compensation includes claims and administrative costs.

⁽³⁾ Estimated compensation for the entire 10-year and 3-month term, including the renewal and extension periods.

Analysis

The contractor will maintain a comprehensive network of local, regional, and national pharmacies and provide mail-order pharmacy services, formulary (schedule of approved drugs) development, and rebate management. The contractor will accept and process all pharmacy-submitted and direct reimbursement claims and will reimburse participating providers and card members according to a fee-reimbursement schedule. In addition, the contractor will maintain a toll-free customer service number for members, participating pharmacies, and the County to handle a variety of plan-related concerns (e.g., member eligibility, benefits verification, covered drugs, and questions regarding reimbursement).

The contract provides that for each calendar day that any scope of work and/or services are tardy or remain uncompleted, the contractor will be liable for submitting performance guarantee fees to the County (e.g., \$4,000 for ID card accuracy; \$5,000 for failing to process at least 95% of mail order prescriptions within two business days).

The contract commences January 1, 2016, continues for 3 years, and may be renewed for seven additional 1-year periods with the option to further extend the initial term or any renewal term an additional 90 days. The contract does not specify a maximum compensation for the initial 3-year term or for the entire 10-year and 3-month term, including the renewal and extension periods. Estimated compensation (including administrative fees and claims costs) totals \$378.1 million for the initial 3-year term and \$1.3 billion for the entire 10-year and 3-month term, including the renewal and extension periods. The County may terminate the agreement by providing 30 days prior written notice, and the contractor may terminate the agreement by providing 120 days prior written notice.

The contract was awarded through a competitive procurement process based on technical qualifications and cost, with final terms determined through a negotiation process. The Office advised that nine proposals were received, of which one proposal was deemed non-responsive. The Office also advised that Cigna's proposal was recommended by the County's Healthcare Vendor Selection Committee, which includes representatives from Baltimore County Public Schools and the Community College of Baltimore County, as well as three labor group representatives. The Office further advised that because Cigna currently provides the Open Access Plus (OAP) and Open Access Plus In-Network (OAPIN) health insurance plans to active

employees and non-Medicare retirees and the Cigna Medicare Surround health insurance plan to Medicare retirees, consolidating the medical and pharmacy benefit providers will reduce expenses by creating administrative efficiencies and improving clinical outcomes (e.g., fewer emergency room visits, lower cost inpatient and outpatient care).

On October 4, 2010, the Council approved a new 12-year contract (including renewals) and an amended and restated contract, both commencing January 1, 2011, with Express Scripts, Inc. (ESI) and Express Scripts Insurance Co. (ESIC – a subsidiary of ESI), respectively, to provide pharmacy benefits management services for eligible employees and retirees of the County General Government, Library, Revenue Authority, Public Schools, and Community College. The contract with ESI covers services for active employees and non-Medicare retirees, while the amended and restated contract with ESIC covers services for Medicare Part D eligible retirees and names ESIC as the County's Prescription Drug Plan (PDP) sponsor under Medicare drug rules. Estimated compensation (for both administrative fees and claims costs) totaled \$623.0 million for the initial 5-year term and \$1.9 billion for the entire 12-year term, including the renewal periods, for both contracts combined. On December 19, 2011, the contract with ESIC was amended to take advantage of a savings opportunity created by the 2010 federal Health Care Reform legislation. At the time, the estimated net savings for the County for CY 2012 was approximately \$8 million with continued savings in future years. The Office advised that expenditures for both the ESI and ESIC contracts totaled \$345.8 million for FY 2013 through FY 2015, including administrative fees and claims costs for each contract. (Total expenditures back to FY 2011 for both contracts were not available.)

On October 4, 2010, the Council approved two 12-year and 3-month contracts (including renewals and extension period) commencing January 1, 2011 with Cigna: one to provide administrative claims payment services for self-funded health care benefits for PPO (Preferred Provider Organization), open-access HMO, and Medicare Supplemental health care plans and one to provide managed dental care benefits for County General Government, Library, Revenue Authority, Public Schools, and Community College employees and retirees. Estimated compensation for the health care contract totaled \$48.6 million (excluding \$952.4 million in reimbursed claims costs) for the initial 5-year term and \$168.6 million (excluding \$3.5 billion in reimbursed claims costs) for the entire 12-year term, including the renewal periods. The Office advised that expenditures under this contract totaled \$687.4 million (including both administrative fees and reimbursed claims costs) for FY 2013 through FY 2015. (Total

expenditures back to FY 2011 were not available.) Estimated compensation for the dental care contract totaled \$15.3 million for the initial 5-year term and \$44.7 million for the entire 12-year term, including the renewal periods.

The Office advised that expenditures under this contract for County General Government totaled \$2.5 million for FY 2013 through FY 2015. (Total expenditures back to FY 2011 for County General Government and total expenditures for the other entities were not available.)

County Charter, Section 715, requires that “any contract must be approved by the County Council before it is executed if the contract is...for services for a term in excess of two years or involving the expenditure of more than \$25,000 per year....”



COUNCIL ACTION REQUEST FORM EXECUTIVE SUMMARY

CIGNA HEALTH AND LIFE INSURANCE COMPANY / CIGNA HEALTHCARE MIDATLANTIC PHARMACY BENEFIT MANAGEMENT CONTRACT

This request seeks approval of a contract with Cigna Health and Life Insurance Company / Cigna Healthcare MidAtlantic for pharmacy benefit management services for General Government (including Library and Revenue Authority), BCPS and CCBC active employees and non-medicare retirees in the Cigna OAP and Cigna OAPIN insurance plan and Medicare retirees in the Cigna Medicare Surround insurance plan. The Initial Term of the contract is for three (3) years effective January 1, 2016 to December 31, 2018. Thereafter, the contract includes seven (7) one-year renewal options. The County's cost estimate during the Initial Term is \$378,052,507.

Cigna was recommended by the Healthcare Vendor Selection Committee - which included representatives from CCBC and Baltimore County Public Schools; as well as 3 Labor representatives - to provide pharmacy benefits management for the Cigna OAP, Cigna OAPIN, Cigna Medicare Surround Medical Insurance plans. Cigna's network match to the pharmacies' members utilize is 100% with minimal formulary disruption. As the County's trusted partner for medical benefits, Cigna has proven that they can deliver an exceptional customer service experience. Integrating the medical and pharmacy benefit will drive costs lower by providing better administrative efficiencies and clinical outcomes.

FM-5 (Contract)

Council District(s) All

Office of Law

Produce, Supplement, Web Host & Sale – Baltimore County Code

The Administration is requesting approval of a contract with Municipal Code Corporation to produce, supplement, web host, and offer for public sale the Baltimore County Code. The contract commences upon Council approval, continues for 1 year, and will automatically renew for ten additional 1-year periods with the option to further extend the initial term or any renewal term an additional 90 days. The contract does not specify a maximum compensation for the initial 1-year term. Maximum compensation may not exceed \$200,000 for the entire 11-year and 3-month term, including the renewal and extension periods.

Fiscal Summary

Funding Source	Maximum Compensation	Notes
County ⁽¹⁾	\$ 200,000	(1) General Fund Operating Budget.
State	--	(2) Maximum compensation for the entire 11-year and 3-month term, including the renewal and extension periods. The contract does not specify a maximum compensation for the initial 1-year term.
Federal	--	
Other	--	
Total	\$ 200,000 ⁽²⁾	

Analysis

Section 1005(a) of the County Charter requires the recodification of the County Code at least every 10 years. The Office advised that it is in the process of completing a revision of the 2003 County Code (initiated in 2013), which includes the correction of obsolete cross references and section or subsection numbering errors. The contractor will edit, computerize, and print a new edition of the County Code, including the County Charter, in a form consistent with the Maryland Style Manual (issued by the Maryland Department of Legislative Services). The contractor will provide bound copies as well as electronic versions on CD and will also make these formats available to the public for purchase. The contractor will also update the Code to reflect future

legislative actions through supplements produced at least quarterly. The contractor will host the current Code, the revised Code, and future supplements on its website. The contractor will offer numerous internet options, including definition links; the option to select a portion of a past version of the County Code and compare it to the revised version; the ability for users to be electronically notified each time the Code is updated; and the ability for the Office to provide additional supplementary material (e.g., Council minutes) to be uploaded with Code revisions.

The contract commences upon Council approval, continues for 1 year, and will automatically renew for ten additional 1-year periods, with the option to further extend the initial term or any renewal term an additional 90 days on the same terms and conditions, unless the County provides notice of non-renewal. The contract does not specify a maximum compensation for the initial 1-year term. Compensation may not exceed \$200,000 for the entire 11-year and 3-month term, including the renewal and extension periods. The County may terminate the agreement by providing 30 days prior written notice.

The contractor will charge the County as follows to edit, computerize, and print the revised County Code:

Hard Copy	\$200 each
CD Version	\$100 each
Web Hosting, Initial Term and Renewal Years 1-5	\$450 per year
Web Hosting, Renewal Years 6-10	\$550 per year
Various Web Options (e.g., e-Notify; Code compare feature)	\$1,445 per year
Custom Web Banner	\$250, one-time
Quarterly Supplements, Initial Term and Renewal Years 1-5	\$9,150 per year
Quarterly Supplements, Renewal Years 6-10	\$9,414 per year

The Office estimates the total contract cost to be \$151,680, less a \$41,582 credit with the contractor which will reduce the cost to \$110,098. The Office expects to order 135 hard copies and 2 CD versions of the revised Code. The Office advised that it set the contract's maximum compensation at \$200,000 to allow for additional hard copies of the Code as needed; unanticipated shipping and handling increases; and any future options the contractor may add over the life of the contract which the County may elect to purchase.

The contractor will offer the County Code for sale to the public at a cost of \$210 per hard copy and \$175 per CD, and \$89 and \$98 per quarterly supplement in either format during the initial term and contract renewal years 1-5 and 6-10, respectively.

The contracts were awarded through a competitive procurement process based on technical qualifications and cost from 2 proposals received. The Office advised that the proposals were evaluated by a 5-person selection committee, which included three representatives from the Office of Law, one representative from the Council Office, and one representative from the Office of Information Technology.

On September 3, 2002, the Council approved an 11-year contract with American Legal Publishing Corporation not to exceed \$140,466 for similar services. On December 2, 2013, the Council approved an amendment to the contract which added an additional 2-year renewal term commencing September 1, 2013 and increased the maximum compensation by \$18,200, from \$140,466 to \$158,666, for the entire amended 13-year term of the contract, including the renewal periods. The Office advised that expenditures under this contract totaled \$74,103. The Office further advised that Municipal Code Corporation published the County's Code and supplements for approximately 11 years prior to the 2002 contract with American Legal Publishing Corporation.

County Charter, Section 715, requires that "any contract must be approved by the County Council before it is executed if the contract is...for services for a term in excess of two years or involving the expenditure of more than \$25,000 per year...."