



Metropolitan Water Reclamation District of Greater Chicago

100 East Erie Street
Chicago, IL 60611

Legislation Text

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TRANSMITTAL LETTER FOR BOARD MEETING OF APRIL 3, 2014

COMMITTEE ON PROCUREMENT

Mr. David St. Pierre, Executive Director

Authorization to enter into an agreement for Contract 13-RFP-24 Combined PPO/HMO Plan Administrator, with Blue Cross Blue Shield of Illinois, a division of Health Care Service Corporation, for a three-year period, effective July 1, 2014 to June 30, 2017, Account 101-25000-601250

Dear Sir:

Authorization is requested to enter into an agreement with Blue Cross Blue Shield of Illinois, a division of Health Care Service Corporation, to provide Preferred Provider Option (PPO) and Health Maintenance Organization (HMO) plan administrative services for employees and retirees for a three-year period.

On December 11, 2013, Request for Proposal 13-RFP-24 Combined PPO/HMO Plan Administrator was advertised. Eighty-one (81) firms were notified and six (6) firms requested proposal documents. The District received one (1) responsive proposal on January 10, 2014 from Blue Cross Blue Shield of Illinois (Blue Cross).

The proposal was evaluated by consultants from Deloitte Consulting and staff of the Human Resources and the Procurement and Materials Management Departments. The criteria for these evaluations were outlined in Request for Proposal 13-RFP-24 and included: organizational stability and experience; ability to administer the current plan design; network access, size and quality; claims administration performance; member service performance; administrative performance; and financial considerations. Following the preliminary evaluation of the proposal, excluding cost, Blue Cross was invited to interview on February 14, 2014. A solicitation was sent to Blue Cross on February 18, 2014 for an unqualified "best and final" offer. The "best and final" offer was returned to the Director of Procurement and Materials Management on February 24, 2014.

Based on the evaluation of the Blue Cross proposal using the criteria described above and the pricing provided in the "best and final" offer, it is recommended that a contract be awarded to Blue Cross. Blue Cross is the current provider administering the District's Preferred Provider Option (PPO) and Health Maintenance Organization (HMO) plans. It has the largest PPO and HMO networks in the marketplace. It continues to offer very competitive network discounts compared to other national medical carriers operating in the Chicago market. It is offering performance guarantees in the contract to ensure the guaranteed medical discounts are met. The proposed pricing for the contract would represent a reduction in administrative fees for the PPO plan for both active employees (approximately 5%) and retirees (approximately 20%). The administrative fees for the HMO plan would also decrease by approximately 7%; however, the capitation fee would increase by approximately 4% resulting in an overall increase of approximately 3% for the HMO plan.

The Affirmative Action Section has reviewed the agreement and has concluded that Blue Cross is in compliance with the District's Affirmative Action Policy.

In view of the foregoing, it is requested that the Director of Procurement and Materials Management be

authorized to enter into an agreement with Blue Cross Blue Shield of Illinois, a division of Health Care Service Corporation, to administer the Preferred Provider Option (PPO) and Health Maintenance Organization (HMO) on a self-insured basis for a three-year period.

Funds are available in Account 101-25000-601250 for year 2014. Funds for 2015, 2016 and 2017 are contingent on the Board of Commissioners' approval of the District's budget for those years.

Recommended, Denise E. Korcal, Director of Human Resources

Recommended, Darlene A. LoCascio, Director of Procurement and Materials Management

Respectfully Submitted, Barbara J. McGowan, Chairman Committee on Procurement

Disposition of this agenda item will be documented in the official Regular Board Meeting Minutes of the Board of Commissioners for April 3, 2014