

## Comparison of Administrative Cost Proposals

Third Party Administrator	United HealthCare (UHC) RFP Submission (11/15/11)	United HealthCare (UHC) RFP Submission (05/22/12)	BCBSNC RFP Submission (11/15/11)	BCBSNC Amended Submission (04/23/12)*	BCBSNC Amended Submission (05/12/12)	BCBSNC Amended Submission (05/22/12)
Administrative Fees (medical & dental)	\$33.67PEPM (per employee per month)	\$26.67PEPM (per employee per month)	\$40.14PEPM (per employee per month)	\$38.64PEPM (per employee per month)	\$38.64PEPM (per employee per month)	\$31.64PEPM (per employee per month)
Administrative Rate Guarantees	3 years medical and dental	3 years medical and dental	2 years medical and dental	2years medical and dental	3 years medical and dental	3 years medical and dental
\$225,000 Specific stop loss with \$250,000 aggregating Deductible	\$29.76 PEPM (based on 18/12)	\$29.76 PEPM (based on 18/12)	\$23.11 PEPM (based on 12 month paid)			
Specific Stop Loss Guarantees	1 year	1 year	1 year	1 year	1 year	1 year
Stop Loss Lifetime Maximum	In: \$5,000,000 Out: \$5,000,000	In: \$5,000,000 Out: \$5,000,000	In: \$5,000,000 Out: \$5,000,000	In: \$5,000,000 Out: \$5,000,000	In: \$5,000,000 Out: \$5,000,000	In: \$5,000,000 Out: \$5,000,000
COBRA	Additional \$0.27 PEPM	Additional \$0.27 PEPM	Additional \$0.27 PEPM	Additional \$0.27 PEPM	Additional \$0.27 PEPM	Additional \$0.27 PEPM
Network Discounts	50.00%	50.00%	50.25%	51.60%	51.60%**	51.60%
Wellness Grant Year 1	\$50,000	\$50,000	\$50,000	\$50,000	\$50,000	\$50,000
Wellness Grant Years 2 and 3	\$50,000	\$50,000	\$25,000	\$50,000	\$50,000	\$50,000

\*BCBSNC guarantees the monthly medical rate for the 2012 and 2013 plan years; 3% fee guarantee for 2014 plan year.

\*\*BCBSNC will place 2% of the administrative cost at risk for every 1% network discount less than 48.6% on the amendment. That could result in approx. \$18,553.00 with a max of 10% equal to approx \$92,763.00.

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Total monthly admin cost (2,795 subscribers) <sup>i</sup>	\$63.70 X2795= \$178,041.50	\$56.70 X2795= \$158,476.50	\$63.52 X2795= \$177,538.40	\$62.02 X2795= \$173,345.90	\$62.02 X2795= \$173,345.90	\$55.02 X2795= \$153,780.90
Total Monthly Commission Fee*** (\$5.00 PEPM x 2795 subscribers)	\$13,975.00	\$13,975.00	\$13,975.00	\$13,975.00	\$13,975.00	\$13,975.00
Total Monthly Cost	\$192,016.50	\$172,451.50	\$191,513.40	\$187,320.90	\$187,320.90	\$167,755.90
Average Monthly Care management Fees <sup>ii</sup>	Included in administrative fee	Included in administrative fee	\$5,757.00	\$5,757.00	\$5,757.00	\$5,757.00
Run Out Claims Admin <sup>iii</sup>	\$244,062.00	\$244,062.00	N/A	N/A	N/A	N/A
Total annual Cost <sup>iv</sup>	\$2,548,260.00 <sup>v</sup>	\$2,313,480.00 <sup>vi</sup>	\$2,367,244.80	\$2,316,934.80	\$2,316,934.80	\$2,082,154.80
3 year costs	\$7,156,656.00	\$6,452,316.00	\$7,101,734.40	\$6,950,804.40 <sup>vii</sup>	\$6,950,804.40	\$6,246,464.40

\*\*\*City of Durham contracted with Independent Benefit Advisors (IBA) to pay a \$7.00 PEPM commission fee. As of May 14, 2012 IBA lowered the fee to \$5.00PEPM medical commission and waived dental commission fee effective September 1, 2012. Please note that the \$7.00 Commission was included in each carrier's administrative fee throughout but was corrected in the May 22, 2012 columns.

<sup>i</sup> The monthly administrative fee cost is estimated based on the current 2,795 subscriber number. Monthly costs will change as members are added and deleted.

<sup>ii</sup> Care management fees vary from year to year depending on member utilization. This includes: diagnostic imaging, nurse line, and behavioral health. Currently BCBSNC bills the City on a per member per month basis. The amounts shown represent average usage for City of Durham employees for a benefit year. The amount the City has paid in Care Management fees from September 2011 –May 2012 is \$58,024.68.

<sup>iii</sup> The City would incur run out claims administration fees during the first year should the City leave BCBSNC. These fees will be paid to BCBSNC and includes the following:

Assuming 2,701 employees upon termination and the current ASO medical fee of \$30.12 PEPM:

Run-out Claims Administration \$244,062

<sup>iv</sup> Estimated based on current 2,795 subscriber number; will change monthly based on additions and deletions of members.

<sup>v</sup> The UHC stop loss rate is higher (18/12) to address the run out of claims should the City's claims reach a certain threshold under the current contract; UHC would be a new contractor. This amount also includes the one year \$244,062.00 run out claims administration fees.

<sup>vi</sup> The UHC stop loss rate is higher (18/12) to address the run out of claims should the City's claims reach a certain threshold under the current contract; UHC would be a new contractor. This amount also includes the one year \$244,062.00 run out claims administration fees.

<sup>vii</sup> BCBS administrative fee costs will increase due to the 3% fee guarantee for the 2014 plan year.