



CITY OF DURHAM

Human Resources Department
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www.DurhamNC.gov

May 20, 2015

Mr. K. Steve Crist
Vice President, Group Segments
P.O. Box 2291
Durham, NC 27702

Dear Mr. Crist,

As you know, the City of Durham has made a recommendation to City Council to select Aetna as its health carrier. This was an extremely difficult decision especially in light of BCBSNC's long standing, continued support to Durham and the City of Durham employees.

The City of Durham appreciates your efforts to attempt to close the gap between the proposal offered by Aetna and the proposal originally offered by Blue Cross and Blue Shield of North Carolina (BCBSNC). Additionally, we have heard your concerns about potentially unfulfilled savings projections and we are confident that the information used to make our recommendation is sound.

As health care costs continue to increase nationwide, municipalities must identify ways to contain costs while continuing to provide quality benefits. The existing proposal from Aetna allows the City to immediately reduce claims cost at a greater amount than is estimated in your proposal; and the savings associated with their care coordination program are expected to fully cover the fees charged to the City for this service. As you stated, the City has a responsibility to be good stewards of their health care dollars and we believe that Aetna's proposal will allow the City to reduce existing estimates of future claims costs for both employees and the City.

As you are aware, Aetna has proposed that we offer their comprehensive Duke ACO plan, which has already been successfully implemented for 80% of the Duke employee population. This proposal will provide City of Durham employees with improved health outcomes at a lower cost. Duke has also pledged a dedicated Duke physician to assist in developing the City's customized wellness program.

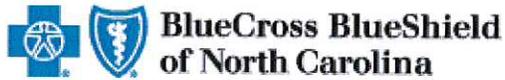
Given all of the above, our recommendation to Council remains unchanged and the City of Durham will move forward with its recommendation to use Aetna as its health carrier.

Thank you.

A handwritten signature in cursive script that reads 'Regina Youngblood'.

Regina Youngblood
Human Resources Director

cc: Thomas J. Bonfield, City Manager
Wanda Page, Deputy City Manager



CONFIDENTIAL

May 15, 2015

Mr. Tom Bonfield
City Manager
City of Durham
101 City Hall Plaza
Durham NC 27701

Dear City Manager Bonfield,

As you are aware, the City recently completed a marketing of its health care program for the next five years, and it has been our privilege to participate as your long-term health care partner.

It is our understanding that a recommendation has been made to select Aetna based on a projected savings of \$6.7 million over three years. In doing so, there are key assumptions which we believe expose the City to unfulfilled savings. We are happy to outline those in additional discussions.

At the same time, we understand you have a responsibility to be good stewards of the City's health care dollar. To that end, we are simplifying and enhancing our offer to address the concerns of the City's Human Resources staff.

- a. Previously, BlueCross BlueShield was unable to commit an effective date for our accountable care arrangement in the Triangle market. We regret our silence on this matter. Fortunately, we are now able to share the following confidential information:
 - i. We are confirming for the City that an accountable care offering will be available for City employees beginning July 1, 2016. This arrangement will include Duke Health along with other area providers.
 - ii. This arrangement will deliver enhanced patient satisfaction, higher care quality, improved health outcomes and lower costs for the City.
 - iii. With this new arrangement in place for July 1, 2016, our actuaries will adjust the discount targets for that contract period to reflect the improved financials. We will guarantee 56.5% with a payout to occur below 55.5%. We will follow the guidelines described in the RFP Addendum for adjusting the discount target upward.
- b. During the period of September 2015 through June of 2016, Blue Cross and Blue Shield will guarantee a network savings of 53.89%, with a dollar-for-dollar payout below that amount, up to a maximum of \$500,000. The discount matches that of Aetna, but goes far greater than their \$217,000 payout cap.

Mr. Tom Bonfield

May 15, 2015

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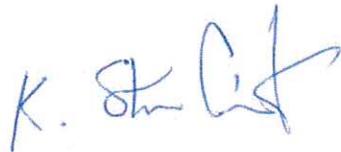
- i. An additional advantage is that this approach will save the \$4 per member per month care coordination fee that the City is required to pay to Duke Health in the Aetna ACO model. Estimating that if 70% of your population elected the Duke ACO, it would cost the City an additional \$170,000 not accounted for in the Staff presentation.

We believe these two points of clarification address the concerns of the City's Human Resources staff and clearly demonstrate a superior value proposition. As a 12-year partner and a corporate citizen, we are proud to call Durham home. It is this affinity for Durham that fuels our actions. And, there are no better examples of this commitment than our \$7.9 million investment in Durham community organizations since 2012, our relocation to an all-Durham campus by the end of 2015 and the fact that approximately 28% of our 4,800 employees are residents.

It is our strong desire to earn your business and we feel no other health insurance company demonstrates a stronger commitment to Durham.

We look forward to answering any questions you may have.

Sincerely,

A handwritten signature in blue ink, appearing to read "K. Steve Crist". The signature is stylized and cursive.

K. Steve Crist
Vice President, Group Segments

cc: Michele Cash, Benefits Manager

Attachment - RFP Addendum



**City of Durham – RFP Response Addendum
Proprietary & Confidential
May 8, 2015**

Provision One: ASO Fee Guarantees

Medical Administrative Fee Guarantee:

BCBSNC guarantees that the Per Contract Per Month Medical Administrative Charge for the July 1, 2016 to July 1, 2017 contract period will be no more than the Per Contract Per Month Administrative Charge for the September 1, 2015 to July 1, 2016 contract period, increased by 0 percent.

BCBSNC guarantees that the Per Contract Per Month Medical Administrative Charge for the July 1, 2017 to July 1, 2018 contract period will be no more than the Per Contract Per Month Administrative Charge for the July 1, 2016 to July 1, 2017 contract period, increased by 0 percent.

BCBSNC guarantees that the Per Contract Per Month Medical Administrative Charge for the July 1, 2018 to July 1, 2019 contract period will be no more than the Per Contract Per Month Administrative Charge for the July 1, 2017 to July 1, 2018 contract period, increased by 0 percent.

BCBSNC guarantees that the Per Contract Per Month Medical Administrative Charge for the July 1, 2019 to July 1, 2020 contract period will be no more than the Per Contract Per Month Administrative Charge for the July 1, 2018 to July 1, 2019 contract period, increased by 0 percent.

Dental Administrative Charge Guarantee:

BCBSNC guarantees that the Per Contract Per Month Dental Administrative Charge for the July 1, 2016 to July 1, 2017 contract period will be \$3.20 Per Contract Per Month.

BCBSNC guarantees that the Per Contract Per Month Dental Administrative Charge for the July 1, 2017 to July 1, 2018 contract period will be \$3.30 Per Contract Per Month.

The Plan Sponsor and the Plan Administrator understand and agree that the following conditions must be met in order for multi-year guarantees to remain in full force and effect:

- This five year quote for medical coverage is based on BCBSNC retaining the PBM relationship and all rebates throughout the five year term.
- No change in funding, fee arrangement, services, or benefits
- No change in enrollment greater than +/- 10%
- No change greater than 10% in the enrolled population outside of North Carolina
- No change in the mix of contract types greater than +/- 10%
- All Administrative Fees, Miscellaneous Fees and Claims Expenses must be paid on a timely basis
- This guarantee will be adjusted for any changes required by Federal, State or Local government laws or regulations related to increases in required taxes, surcharges or premium taxes, fees, etc. The effective date of the change will be that required by the imposing Agency, even if retro-active.

Provision Two: Discount Measurement Guarantees

BCBSNC has updated our Discount Guarantee for the City of Durham to be 55 percent (see Exhibit A on page 11 for details).

This Guarantee has the following caveats and guidelines:

- Effective September 1, 2015, the City of Durham and BCBSNC will co-sponsor a Consumer Engagement, Provider Steerage Pilot Program (“Pilot Program”) utilizing BCBSNC’s incentive platform, Blue Rewards. In addition, the Pilot Program will utilize the digital experience toolset, Blue Connect, and leverage the re-branding efforts described in the below Wellness Support Model outlined in Provision Three.
- Together, the City of Durham and BCBSNC will approach Duke University Health System to construct the Pilot Program for City employees. The program will seek to steer City health plan members to Duke University Health System for services at both inpatient and outpatient facilities that exhibit value-based, coordinated care.
- The incentive amounts are determined by the City with guidance from BCBSNC’s Medical Director, Dr. Brian Caveney, our Client Health Promotion Manager, Jennifer Arnold, and our data scientist, Troy Buescher. Early modeling results indicate the greatest potential for both savings and improved outcomes are via Duke University Health System facility services. All incentives will be funded by the City.
- BCBSNC and the City of Durham will conduct the Pilot Program from September 1, 2015, to June 30, 2017. At that time, we will evaluate the results of the Pilot Program and determine if an alternate product is in the best interest of the City and its employees. BCBSNC and the City will seek to implement any Product changes on July 1, 2017.
- The Discount Guarantee will be offered each year of the contract and will remain unchanged to the extent that no single provider contract change impacts our overall discount by more than 50 basis points. If that were to happen, the Discount Guarantee will be modified accordingly, either positively or negatively.

<i>Baseline</i>	Billed	Allowed		Discount	
Total (IP/OP/Prof)	Amount	Amount	Discount	Percentage	Paid
Duke Affiliated	\$23,614,824	\$10,941,137	\$12,673,687	53.70%	
All Other In-Network Services	\$23,107,903	\$11,922,737	\$11,185,166	48.40%	
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
	\$46,722,727	\$22,863,874	\$23,858,853	51.06%	\$18,339,833

Adjusted

	Billed	Allowed		Discount	
Total (IP/OP/Prof)	Amount	Amount	Discount	Percentage	Paid*
Duke Affiliated	\$23,614,824	\$9,941,137	\$13,673,687	57.90%	
All Other In-Network Services	\$23,107,903	\$11,922,737	\$11,185,166	48.40%	
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
	\$46,722,727	\$21,863,874	\$24,858,853	53.21%	\$17,537,702

*Paid claims estimated using Paid/Allowed ration from baseline period

Provision Three: Enhanced Wellness Proposal

The City of Durham is committed to improving its employees' health, bolstered by a wellness incentive program. To support the City's wellness efforts, BlueCross and BlueShield would like the City to consider the following three offers:

1. Dedicated Program Manager plus Funding

BCBSNC is offering \$45,000 in wellness funds annually for the five year agreement period along with a 20 hour-a-week wellness Program Manager. The Program Manager is a certified worksite wellness expert with a degree in Health Sciences. As the wellness Program Manager starts at the City of Durham, Jennifer Arnold, Manager, Client Health Promotion, will work with the Program Manager to create an 18-month wellness strategy that is tailored to the City's culture. In order to create a customized strategy, we will:

- Review current healthcare utilization data.
- Survey employees on their interests and their perception of health and wellness at the City
- Interview key leaders to gain an understanding of their knowledge and support of the wellness program
- Evaluate the environment for ease of physical activity and nutritious food/drink
- Compare the current program with best practices (based on worksite wellness research)
- Ongoing incentive development utilizing our Blue Rewards Platform

The final strategy will be reviewed and approved by Dr. Brian Caveney, Medical Director and VP of Employer Consultation & Support.

2. Custom Programming for the City

According to our data, the City of Durham could benefit from our enhanced offerings below:

- + **Digital Engagement via BlueConnect:** BCBSNC will utilize the latest computer, tablet and smart phone technologies to engage City employees with behavior modification techniques. Examples include: social challenges involving co-workers, ability to track progress with apps and wearable devices (i.e. FitBit), and custom messaging delivered via text or email that encourages better health decisions. This toolset is completely integrated with our BlueRewards incentive platform.
- + **Functional Movement Screenings:** Musculoskeletal claims were the City's second highest inpatient diagnostic category in the most recent year. BCBSNC is rolling out a new fee based wellness service to address this, called Functional Movement Screenings. These screenings are a non-invasive assessment to determine susceptibility to injury. After the assessment, exercises are given to help prevent injury. The market price for this assessment is \$300/person for the assessment and follow up. We will take 25 people through this assessment and follow up at no additional cost for each of the first two years, which has a **\$7,500 value**.
- + **Diabetes education:** The City's Health Assessment report showed "elevated blood glucose" as a key risk factor. BCBSNC works with the program "Living Well with Diabetes" and our current Eat Smart Move More Weigh Less program is creating a similar class focused on diabetes. Both of these programs can be run through claims, resulting in **no additional expenses** to the City's wellness allowance.
- + **Stress and Resilience:** In today's environment, it's imperative to give employees the tools to thrive despite the pressures of life. BCBSNC is launching "Personal Resilience" classes to our group customers. These classes are a workshop facilitated by a skilled trainer. We are committing to facilitating a class to City employees, which is a **\$3,000 value**.

Professional Marketing Firm to Redesign the City's Wellness Brand

One piece of a comprehensive wellness strategy is to provide a recognizable brand for employees to connect with the wellness program. To meet that important need, BCBSNC will fund a professional marketing firm with **\$50,000** to guide the City as it re-launches its health promotion efforts for the first year. (The \$50,000 is in addition to our current \$45,000 wellness allowance; it is not, however, a reoccurring credit.) In doing this, BCBSNC is helping the City build a foundation that it can leverage for multiple years.

Here are a few ideas:

- Create an identifiable avatar or character or naming convention that instantly connects City employees with the wellness efforts. Here, think of what the apple symbol is to the iPhone; how can the City make that strong connection between the employees and Staff's wellness goals?
- Create a custom marketing campaign, both printed and digital materials that are used to launch the new efforts and establish the revised, "new look."

Summary

A strategy is vital to having a successful wellness program and it can only be effective if there are resources to execute it. Resources, support and commitment are strengths BCBSNC can offer the City; our competitors simply do not have the personnel to deploy for an effort of this magnitude and importance. Our measure of success with all of the above strategies is that the City of Durham is recognized as one of North Carolina's "most fit" cities.

**ADMINISTRATIVE SERVICES AGREEMENT EXHIBIT
ASO PERFORMANCE GUARANTEE PROPOSAL**

City of Durham

A. Terms and Conditions

BCBSNC agrees to the following performance definitions, measures and standards (“Performance Guarantees”) for a period of one year beginning September 01, 2015 and ending August 31, 2016, (hereinafter the “Measurement Period”). For each category described, performance will be measured by, and Administrative Fee Refunds (“AFR”), if any, will be calculated on the basis of BCBSNC’s audits, surveys or reports as described in this Exhibit. Where BCBSNC fails to achieve a Performance Guarantee, applicable AFRs, expressed as a percentage of the Medical Administrative Fee collected from the Plan Sponsor and/or the Group Health Plan, will be paid by BCBSNC as described below. The Medical Administrative Fee is the Administrative Fee payable by the Group Health Plan to BCBSNC for administration of health benefits. Medical Administration Fee does not include fees for dental benefits, run-out services, commissions, and/or stop loss coverage. BCBSNC will place a maximum of **18.0%** of Medical Administrative Fees at risk. The Plan Sponsor and/or the Group Health Plan reserve the right to have internal or external auditors verify the accuracy of BCBSNC’s reported results at their expense.

1. Measurement of BCBSNC’s performance against the standards shall be performed and reported to the Plan Sponsor and/or the Group Health Plan on a quarterly basis, or at a frequency mutually agreed upon by the parties.
2. The measures discussed herein are average measures relative to the entire Measurement Period. The appropriate AFRs will be paid if the result fails to meet the established standard. Select measures will be reported on a quarterly basis for illustrative purposes only. An annual report of Performance Guarantee performance will be prepared by BCBSNC and provided to Plan Administrator no later than 90 days after the conclusion of the Measurement Period and will be the basis for payment, if any, pursuant to paragraph 5 of this section, below.
3. These Performance Guarantees and AFRs apply only in regard to health care services provided directly by BCBSNC. It is not intended to apply to any other service or coverage, including but not limited to dental, life insurance coverage, and carve-outs such as vision and mental health.
4. Any material failure on the part of the Group Health Plan or its designee to perform on a timely basis those responsibilities specified in the Agreement that are necessary

and integral to the Performance Guarantee made by BCBSNC shall void the Performance Guarantee, until such time as they have been corrected and the applicable Performance Guarantee and BCBSNC shall be held harmless. This includes, but is not limited to, retroactive requests from the Group Health Plan or its designee.

5. BCBSNC shall pay by check or via Standing of Account, made payable to Plan Sponsor and/or the Group Health Plan, any amounts due to the Plan Sponsor and/or the Group Health Plan as a result of BCBSNC's failure to meet the Performance Guarantee. Payment shall be made 90 days following the conclusion of the current Measurement Period.
6. AFRs shall be a percentage of the actual Administrative Fees paid by the Plan Sponsor and/or the Group Health Plan. If the Plan Administrator, the Plan Sponsor and/or the Group Health Plan are delinquent in the payment of Administrative Fees, miscellaneous fees and/or the funding of claims as stated in this Agreement, the Performance Guarantees made by BCBSNC shall be void for the entire month during which the delinquency occurs. If the Group Health Plan is delinquent for three consecutive months, the Performance Guarantees made by BCBSNC shall be void for the remainder of the entire current Measurement Period.
7. If at any time the Membership falls below **1000** subscribers during a month, the Performance Guarantees made by BCBSNC shall be void for the entire Measurement Period.
8. Notwithstanding the above, Performance Guarantees will become effective the later of the first day of the Measurement Period or the month following the receipt of a fully executed Agreement.

B. Implementation (Fees at Risk: 2.00%)

Standards	Administrative Fee Refunds (AFR) for Failure to Meet Standard
<i>(Note: Applicable Administrative Fee Refunds (AFR) will be paid based on Measurement Period results.)</i>	

1. If applicable, BCBSNC will generate and mail Member ID cards prior to the renewal effective date.

Member ID cards released by the effective date	0% Refund
Member ID cards released 1-5 days after the effective date	1% Refund
Member ID cards released 6 or more days after the effective date	2% Refund

** The above standard is based on BCBSNC receiving accurate and complete enrollment data at least 45 days prior to the Group Health Plan's effective or renewal date.*

***In some instances, new Member ID cards are not required at renewal. If renewal Member ID cards are not*

required for your Group Health Plan, this measure will not apply

C. Customer Service (Fees at Risk: 5.00 %)

Standards

**Administrative Fee Refunds (AFR)
for Failure to Meet Standard**

(Note: Applicable Administrative Fee Refunds (AFR) will be paid based on Measurement Period results.)

1. Average Speed to Answer will be 30 seconds or less.
- | | |
|----------------------|-------------|
| 30.9 Seconds or Less | 0.0% Refund |
| 31-40 Seconds | 0.5% Refund |
| 41 Seconds or Higher | 1.0% Refund |

(Will be based on ASO Performance Guarantee Unit results)

2. Abandonment Rate will be 5.0% or less.
- | | |
|----------------|-------------|
| 5.0% or Less | 0.0% Refund |
| 5.01% - 7.9% | 1.0% Refund |
| 8.0% or Higher | 2.0% Refund |

(Will be based on ASO Performance Guarantee Unit results)

3. 90% of Member telephone and written inquiries will be resolved within 10 business days.
- | | |
|------------------|-------------|
| 90.0 % or Higher | 0.0% Refund |
| 85.0% - 89.9% | 1.0% Refund |
| 84.9% or Less | 2.0% Refund |

(Will be based on ASO Performance Guarantee Unit results)

D. Provider Specific Claims Performance (Fees at Risk: 5.00 %)

Standards

**Administrative Fee Refunds (AFR)
for Failure to Meet Standard**

(Note: Applicable Administrative Fee Refunds (AFR) will be paid based on Measurement Period results.)

1. Financial Accuracy Rate=98.0%
- | | |
|-----------------|-------------|
| 98.0% or Higher | 0.0% Refund |
| 96.0% - 97.9% | 1.5% Refund |
| 95.9% or Less | 5.0% Refund |

(Will be based on City of Durham-Provider Specific Claims Processing results)

*The above standard is based on the processing of **DUKE** outpatient professional and clinic services to be based on the applicable physician office visit copay benefit.

E. Claim Processing Service (Fees at Risk: 4.00 %)

Standards

**Administrative Fee Refunds (AFR)
for Failure to Meet Standard**

(Note: Applicable Administrative Fee Refunds (AFR) will be paid based on Measurement Period results.)

1.	90.0% of all Clean Claims will be processed within 14 calendar days.		
		90.0% or Higher	0.0% Refund
		85.0% - 89.9%	1.0% Refund
		84.9% or Less	2.0% Refund

(Will be based on Performance Guarantee Unit results)

2.	Financial Accuracy Rate=98.0%	98.0% or Higher	0.0% Refund
		96.0% - 97.9%	0.5% Refund
		95.9% or Less	1.0% Refund

(Will be based on Performance Guarantee Unit results)

3.	Process Accuracy Rate =95.0%	95.0% or Higher	0.0% Refund
		93.0% - 94.9%	0.5% Refund
		92.9% or Less	1.0% Refund

(Will be based on Performance Guarantee Unit results)

F. Client Management Scorecard (Fees at Risk: 2.00 %)

Standards

**Administrative Fee Refunds (AFR)
for Failure to Meet Standard**

(Note: Applicable Administrative Fee Refunds (AFR) will be paid based on Measurement Period results.)

BCBSNC shall provide a BCBSNC Client Management Scorecard on a quarterly basis.

Performance Guarantee Agreement Period-Client Management Scorecard Results

Annual Average Score 4.00-5.00	0.0% Refund
Annual Average Score 2.00-3.99	1.0% Refund
Annual Average Score 1.00-1.99	2.0% Refund

The above standard is based on BCBSNC receiving at least 2 **completed electronic survey responses from the Group Health Plan within 30 days of receipt of the quarterly electronic BCBSNC Client Management Scorecard.*

G. Definitions

1. "Abandonment Rate" is the percentage of Member calls that hang up while waiting for a Customer Service Professional to answer the call.
2. "Average Speed to Answer" is measured beginning when a Member arrives in the Customer Service Department queue and ending when a Customer Service Professional answers the call.
3. "Clean Claims" are those claims that do not require external investigation in order to process. External investigation means that BCBSNC must obtain information from a non-BCBSNC agent, employee, contractor, or subsidiary to process a claim.
4. "Financial Accuracy Rate" is the measure of the relative dollar accuracy of claims approved for payment. A "Payment Error" occurs when the BCBSNC claims processor or claims adjudication system (together, the "Claims System") makes an error that results in an under or over payment on a claim for which the billed services have been determined by the Claims System to have sufficient information for processing. A non-exhaustive list of Payment Errors includes: incorrect entry for co-payments, coinsurances, deductibles, maximum out-of-pocket, coordination of benefits amount, payment to the incorrect provider, and provider participation/network status and other errors that result in an under or over payment. Financial Accuracy Rate is calculated as total Audited Dollars less the absolute value of Payment Errors divided by the total Audited Dollars based on a statistically valid random claim sample of adjudicated claims. Audited Dollars means paid claims plus allowed charges for duplicate claims included in the audit sample. A zero dollar claim is one of the following:
 - (i) A properly denied claim
 - or
 - (ii) A Coordination of Benefits (COB) claim for which an allowed amount is determinable or
 - (iii) A claim for which valid Member liability exceeds plan liability.
5. "Process Accuracy Rate" is the percentage of claims that do not have Process Errors.

A "Process Error" occurs when the Claims System makes an error that results in billed services being incorrectly determined to be non-covered, or, any other error that is not a Payment Error (a maximum of one error per claim). A non-exhaustive list of Process Errors include:

- Incorrect capture of non-financial oriented data such as place of service, provider name/number, diagnosis code(s), procedure code(s), modifier(s), Member name/number, and date of service.
- Misapplication of financially oriented data such as deductibles, co-payments, coinsurance, referrals, authorizations, and pre-certifications or maximums not resulting in under or over payment.
- Incorrect entry of information or incorrect process steps that cause a billed service to incorrectly be determined to be non-covered.
- Incorrect entry of information or incorrect process steps that cause a claim to be determined to have insufficient information for processing.

Process Accuracy Rate is calculated as the total number of audited claims less the number of claims with Process Errors divided by the total number of audited claims based on a statistically valid random claim sample of adjudicated claims.

6. "Processing Time" is a measure based on the number of calendar days from the date of receipt of a claim by BCBSNC to either:
 - (i) The date the claim has passed all edits and is paid by issuance of a check, settled by payment voucher or denial notice is sent.
 - (ii) Release of a response to the claimant by BCBSNC for those claim submissions, which do not include sufficient information for processing. These claims are closed on the date the response is issued. When the Member re-submits the claim with additional information, the claim is processed as a new claim (For example, when a 'balance due' bill is submitted by the Member instead of an itemized bill, the claim would be processed again when the itemized bill is received).

Note: BCBSNC measures Processing Time for out-of-state claims processed through the national Blue Card program based on the time a claim is received by BCBSNC from the out-of-state Blue Cross Blue Shield plan that prices the claim until the claim has passed all edits and is returned by BCBSNC to the out-of-state Blue Cross Blue Shield plan for payment.

Exhibit A

City of Durham
069114
Medical Rate Page - Administrative Services Only



Total Discount Measurement Guarantee Proposal
Effective 9/1/15 - 6/30/16 Paid

Assumptions

Number of Enrolled Employee Lives	2,731			
Number of Members Enrolled	5,345			
Number of Benefit Plans to be Administered	2	(Blue Options)		
Membership Breakdown by Service Area	NC	5,291		
	AZ	1	TX	2
	CO	1	VA	11
	FL	5	WA	1
	GA	1		
	KY	5		
	MA	4		
	MD	3		
	NJ	7		
	NY	1		
	OK	2		
	PA	4		
	SC	6		

Total Discount Measurement Guarantee

Savings Percent (Projected Total Discount)	53.00%
Estimated Annual Administrative Fees	\$1,016,587
(excludes Discount Performance Fees, if any)	

Total Discount Savings Percent is:	Greater than or Equal to	But Less Than	BCBSNC Credits % of Annual Medical Admin Charges Listed Below	BCBSNC Debits % of Annual Medical Admin Charges Listed Below
	49.00%	49.00%	50.00%	\$250,000
50.00%	50.00%	51.00%	\$200,000	
51.00%	51.00%	52.00%	\$150,000	
52.00%	52.00%	53.00%	\$50,000	
53.00%	53.00%	55.00%	0% (\$0)	

Blue Cross and Blue Shield of North Carolina (BCBSNC) guarantees Total Discount savings on all Hospital and Physician claims expenses covered by the plan for the contract period. The Total Savings Guarantee is offered on total fee-for-service claims (Combination of Inpatient, Outpatient and Professional Other costs), excluding Care Management Fees, Prescription drugs, and Network Access Fees, if any.

Measurement of Total Discount Savings Percent based on claims incurred from 9/1/15 to 6/30/16 and paid through 10/31/16.

The following definitions are applicable:

- In-Network Contracted (IC) = Claims paid at in-network benefit levels to contracted providers
- In-Network Non-Contracted (IX) = Claims paid at in-network benefit levels to non-contracted providers. This may include certain services paid at in-network benefit levels to providers in which there is no contract present including some anesthesiologists, radiologists, pathologists and physical therapists among others.
- Out-of-Network Contracted (OC) = Claims paid at out-of-network benefit levels to providers who are contracted on networks other than the primary product network. This category also includes claims that are paid under a one-time contracted arrangement (no balance billing from the provider).
- Out-of-Network Non-Contracted (OX) = Claims paid at out-of-network benefit levels to non-contracted providers. Non-contracted providers can balance bill the member, so discounts in this bucket are 0% for all carriers.
- Total Discount = Discount based on all covered claims weighted by billed charges and calculated as follows:

$$[IX\% * IXdisc + OX\% * OXdisc + IC\% * ICdisc + OC\% * OCdisc]$$

If total enrollment varies by more than 10% from the assumed enrollment, or the percent of employees enrolled by state (including other states) varies by more than 10% from the assumed enrollment, BCBSNC reserves the right to adjust the Percent of the In-Network Network Savings Guarantee, based on the expected savings by state.