

Oregon Medical Insurance Pool
April 28, 2006
Dept. of Consumer & Business Services
Salem, Oregon

Minutes

**Special Board Meeting:
2007 Request for Third Party Administrator Proposals**

Board Members Present

Kerry Barnett, Regence BCBSO
Maribeth Healey, Public Representative
Steve Lynch, Health Net
Ken Provencher, PacificSource
Dr. John Santa, Health Care Provider Representative
Cory Streisinger, Dept. of Consumer & Business Services
Sue Sumpter, Public Representative

OMIP Staff

Rocky King, Administrator
Tom Jovick, Program Manager
Barry Burke, Compliance Specialist
Kristin Persson, Program Development Specialist
Marcy Meink, Administrative Assistant

Others Present

David Ball, Oregon Insurance Division
Rick Elliott, DCBS Information Management
Dave Houck, Emeritus Public Representative
Nancy Nevins, Lifewise
Susan Rasmussen, Kaiser Permanente
Robin Richardson, ODS

Call to Order

The meeting was called to order at 9:40 a.m.

Mr. King stated that the sole purpose of the meeting was to discuss the critical characteristics that the Board would want to include in the Request for Proposals for the 2008-2011 Third Party Administrator (TPA) contract.

OMIP will release the Request For Proposals (RFP) in February 2007, and there are specific activities that OMIP staff must complete prior to that date. Mr. King requested that the Board

provide guidance for the development of the RFP options. The staff must complete the entire RFP by the end of October so that the Department of Justice and the Department of Consumer and Business Services have time to review it for legal sufficiency and compliance with contract procurement requirements. The statute requires that OMIP release the new RFP one year prior to the expiration of the current TPA contract and that the Board select the TPA for the next contract period six months prior to the current contract expiration.

Mr. King provided a review of actions from the 2003 legislative session that allow OMIP greater flexibility in TPA contracting and benefit design. One change allows the Board to contract with more than one vendor to provide TPA services.

Scope of Work

Mr. King stated that the key work requirements stated in the RFP should include but not be limited to the following:

- Eligibility
- Enrollment
- Customer Service, including 1-800 number
- Monthly & Quarterly Premium Billing with automatic bank withdrawal capabilities & electronic coordination with subsidy programs
- Sufficient Provider Networks/Contracts
- Pharmacy Management, including rebates
- Claims Administration
- Administration of Deductible, Co-insurance, Pre-existing Condition Wait Periods
- Produce and Print Contracts, Forms and Publications
- Grievances and Appeals
- Payment of Agent Referral Fees
- Record Keeping, Reports, Data Management & Electronic Data Transfer to OMIP
- Financial Management/Cash Control, including coordination with Fiscal Departments for OMIP and Department of Consumer and Business Services
- Provide Sufficient Staff to carry out key work requirements and serve the OMIP Population, including in-house Program Manager and Administrative Assistant
- Actuarial Support
- Marketing and Communications development and review, including accuracy of contract provisions
- Intensive Case Management
- Disease Management

Selection Criteria

Mr. King noted that the statute lists the following selection criteria for choosing a TPA:

- Proven ability to handle individual medical insurance
- Efficient claim paying procedures
- An estimate of total charges for administering the plan
- Ability to administer the pool in a cost-effective manner

Mr. Lynch commented that what the Board has done in the past is ask only for administrative services. The Board has the opportunity to request additional considerations. Some of these categories could be items such as:

- True cost management, including unit cost management, utilization improvement, enhanced disease management, and budget-based models as opposed to a claims-based model.
- Budget-based arrangements, such as at-risk contracts or risk-sharing with the vendor on savings.
- Require the company to demonstrate how it provides risk management.
- Require the company to demonstrate its customer focus and decision support for the enrollees in understanding the information and programs that are available to them.

He added that a critical selection criterion also should be the impact of projected claims and administrative costs.

Other RFP Considerations

Mr. King stated that some examples of additional matters that need discussion prior to finalizing the RFP.

- These included HSA plans and HMO style plans.
- Other Innovative Chronic Care Models/Systems
- Integrated Delivery Systems
- Medical Home concept
- Health Assessment Tools
- Measurable outcomes
- Telemonitoring Devices
- Predictive Modeling
- Electronic Medical Records
- Alternative Provider Payment Methodologies
- Effectiveness of Care Management Program in controlling costs and utilization
- Flexibility and Creativity in developing and implementing innovative care management models and provider arrangements while preserving benefits and access
- Customer Service Effectiveness
- Relative degree of dedicated staffing
- Total Projected Claims Costs
- Ms. Sumpter added other options:
 - pill splitting, which OMIP already encourages for appropriate drugs;
 - a 90-day prescription supply;
 - neuropsychological testing of children undergoing cancer treatment;
 - annual physical exams.

Ms. Sumpter asked how the analysis would measure administrative efficiency of the TPA. Mr. King said that the contract includes performance measures and guidelines. Mr. Jovick stated that

OMIP conducts audits of premiums and applications plus receives monthly and quarterly data from Regence BCBSO that reflect on its performance in a number of administrative areas.

Ms. Sumpter asked how OMIP would know if a customer has a complaint. Mr. Jovick responded that OMIP receives copies of all grievances and appeals sent to Regence or the Insurance Division and their responses.

Mr. Lynch asked if the selection criteria were considered silent issues. Mr. King said that the Board didn't have any barriers in this phase of the process.

Benefit Plan Design

Dr. Santa asked if OMIP had to offer a plan that is equal to what is commonly offered in the individual market. Mr. King responded that the current statute requires that the OMIP portability plans be comparable to those in the commercial market; the plans for medical eligibles must reflect benefits in the group market. In estimating the average commercial premium for the medical plans, OMIP uses rates filed for individual benefit plans and applies benefit conversion factors to make them equivalent to what they would be for comparable group plans. Ms. Streisinger commented that the Board establishes the benefit designs, but they are not part of the requirements of the RFP.

Board Member Conflict of Interest

Mr. Barnett asked about the conflict of interest issue. He wondered to what extent the Board wanted Directors, whose companies submit TPA proposals, to participate in the selection decision. He stated that the Board needs to discuss the selection process and decide how to resolve the conflict of interest issue.

Ms. Sumpter reminded everyone that the Board must have five members for a quorum and that five must agree to achieve a majority vote. OMIP staff has learned that, if only five participate in the selection process, then all five must agree on the decision in order for there to be a majority vote. Ms. Streisinger said that the Board must address the conflict issues early in the process.

TPA Contracting Scenarios for the New RFP

Mr. King presented the following TPA contracting options for discussion:

1. Contract with a Single TPA Vendor
 - a. Statewide PPO Network (status quo)
 - b. Encourage Strategic Alliance with other Multiple Delivery Systems
2. Contract with multiple TPA Vendors for unbundled services
 - a. Pharmacy Benefit Management
 - b. Eligibility Determination & Plan Info Services
 - c. Provider Networks
 - d. Case Management Services
 - e. Integrated and Non-Integrated Delivery Systems

3. Contract with multiple TPA Vendors for separate delivery systems and with a separate administrative vendor to provide eligibility/application processing and front-end customer service.
 - a. Geographic (i.e. network adequacy)
 - b. Delivery Systems (HMO vs PPO)

Discussion of Contracting Scenarios

Mr. King clarified that the discussion about the scenarios does not imply that OMIP is dissatisfied with the performance of Regence. Rather, the new contracting flexibility in the statutes has opened up the discussion to options that OMIP could not previously consider.

Kaiser: Dr. Santa commented that OMIP excludes access to a large number of providers by not including Kaiser as an option. He stated that it is time to consider both provider access and cost management.

Mr. Lynch asked if the Board wanted to focus on things beyond carrier claims administration. He commented that he was not sure how to include Kaiser or an HMO without a cost-sharing arrangement because it is an HMO that does not have the typical insurer claims processing system. He added that there is a question about whether OMIP should mix the delivery system models. Ms. Rasmussen stated that Kaiser has added the capability to provide claims cost estimates that would allow the Board to compare cost estimates under the HMO and the fee-for-service systems. Mr. Lynch agreed that OMIP should make it possible for special entities to provide bids that broaden the network.

Mr. King asked, if OMIP did offer an HMO product, how could the PPO carriers bid on it. Ms. Streisinger suggested having carriers bid on one of two options. Mr. Lynch asked if there were any value to contracting with other PPO carriers that do not cover the entire state. Dr. Santa stated that OMIP would have to take a multi-vendor approach in order to attract an HMO carrier. Mr. Lynch asked if any of the Board members were opposed to this. No one posed an outright objection.

Ms. Streisinger asked if Kaiser would be able to bid with its current program. Mr. King answered it would have to confine its bid to its limited geographic service area. He stated that network adequacy is not necessarily the critical issue, because there are other ways to deal with access problems. The issue is whether or not the Board wants to include the choice among different chronic care management systems. Ms. Streisinger said that PEBB concluded that it wanted to provide such a choice by including Kaiser and other integrated delivery systems as choices for state employees. PEBB does not have a mandate to provide choice.

Ms. Healey asked if the Regence and Kaiser information systems could communicate electronically with each other, but no one knew the answer.

Mr. King stated that under Scenario #1, with an integrated product, OMIP would have to develop a sample benefit for the RFP. This is something that staff could prepare. Ms. Streisinger said that OMIP would have to ask the vendors how they would administer this scenario. Mr. Lynch stated that OMIP should specify what it expects ahead of time and let the vendors bid accordingly. It is conceivable that people in areas of the Kaiser service area would compare benefits and complain because they could not get Kaiser. Would it be better to have same benefit available for all?

OHP Benefit Structure: Dr. Santa asked if OMIP would be willing to offer benefits similar to the priority list for the OHP/Medicaid programs. Ms. Streisinger stated that risk transfer would need to be discussed and asked if there was interest in doing this. No one indicated an interest in adopting the OHP/Medicaid priority list as a benefit plan at this time.

Selection Process: Mr. Barnett stated that he was wary of letting any vendor bid simply because it claimed to offer a particular service that OMIP needs. He stated that there should be a clear set of selection criteria and a process prior to bidding. Ms. Streisinger suggested releasing a Request for Information (RFI) ahead of the RFP. Mr. King said that this would need to be done by June or July in order to meet the timeline. Mr. Lynch asked what the value of an RFI was. Ms. Streisinger stated that the value would be to see what interest and services existed in the marketplace. Mr. Barnett stated that he was not suggesting that an RFI is the approach to use.

Multiple Vendors: Mr. King stated that OMIP staff recommends not pursuing Scenario #2, using several vendors to provide different unbundled services, because it would increase complexity in administration considerably and jeopardize the coordination of services. Mr. Provencher commented that it is difficult to imagine managing OMIP with several different vendors because of the small enrollee population and that it would be more of a hassle than it is worth.

Ms. Streisinger stated that Mr. King had raised the issue of unbundling of services. Mr. Lynch said that different vendors could provide different services and coordinate among each other. Mr. Barnett commented that he would vote in favor of simplicity over complexity. He asked what the benefits of adding an HMO plan would be, and favored not increasing complexity unless there are clear benefits to doing so.

The Board indicated that the RFP may have to unbundle the front-end eligibility/application processing and customer service if the contract allowed more than one delivery system...

Front-end Unbundled Services: Offering two service delivery options would create the need for proposals for three arrangements: front-end eligibility/enrollment and customer service plus two different provider delivery systems. The different components would have to be unbundled.

Risk-sharing Contract: The Board indicated that it may request that OMIP staff determine if the statute allows risk-sharing in its vendor contracts. It acknowledged there may be little interest in the concept. Mr. King stated that such a change could involve the assumption of underwriting

risk, which would require that OMIP get a Department of Justice opinion about whether the OMIP statute allows it.

Using OHP Managed Care Contractors: Mr. Lynch asked if there was any interest in contracting with the managed care organization that contract with the Oregon Health Plan. Dr. Santa stated that these organizations are inconsistent in their management of care, and they do not coordinate well together, although they seem to control costs.

Unit Costs and Provider Contracts: Mr. Lynch stated that the Board should focus on unit costs of medical services in the process of considering an HMO option or multiple vendors. He commented that he feels OMIP is a social program like Medicaid is, and that it should be able to pay providers at rates less than the commercial market. Mr. King said that under new law, OMIP may contract directly with providers.

Chronic Care Management Models: Mr. King said that a lot of recent attention has been directed to the TPA's case management capabilities and effectiveness. Mr. Lynch said he assumed that the enrollees get managed the same in OMIP as they do in the commercial market. He suggested that an integrated system would be able to do manage chronic care better than a non-integrated system.

Ms. Streisinger said that the Board would want to know what specific care management services the TPA would provide. The Board agreed that it would not want a vendor to develop a new program just for OMIP; instead, it would prefer that the vendor implement what it already has in place that works. Mr. Lynch said that OMIP could require that the vendor provide case management services that include specific components and measures. Ms. Streisinger stated that the additional criteria section covers these items. Mr. King stated that OMIP is not going to drive the market, but it could take advantage of what the market already has to offer of some innovations that are occurring in the market.

Mr. Lynch asked if a disease management program would be willing to provide its services for free as a clinical trial. Mr. King stated that he does not know any company in the market that wants to provide its services for free, but that there are plenty willing to charge for them. Mr. Lynch asked if chronic care management is something that should be included in the RFP as an unbundled item to incentivize the vendors to provide proof that their products work.

Ms. Streisinger said that OMIP could encourage collaboration and subcontracting for the provision of unbundled services. Mr. King stated that, to the degree carriers can bring new items to the table, they receive a return if their program saves money but only if they currently pay part of the assessment.

Geographic-based Proposals: Mr. Lynch asked if OMIP could ask for bids by geographic area. Mr. King said that such a bid requirement may involve too much work for the carriers without much perceived benefit. Mr. Lynch said that carriers could bid for an area and they would be the carrier for that area only. It is a concept under which OMIP could have Kaiser as the option in

the Salem-to-Portland service area and another carrier as the option for the rest of the state. Ms. Streisinger said that OMIP may not get the best pricing that way. Mr. Lynch stated that the carrier would not be taking the risk, just processing the claims. Mr. Provencher added that the bids likely would not differ significantly. Mr. Provencher stated that a couple of TPAs might work, but too many would inject too much complexity and inefficiencies.

This would create geographically integrated systems.

Mr. Lynch stated that OMIP may want to consider opening geographically to some less-than-statewide options.

Ms. Streisinger asked if the Board's idea was to have two or three choices per region with four plan choices each. Mr. Barnett stated that the default should be one delivery system per region unless there are clear benefits to having more.

Continuity of Patient Care: Ms. Healey asked if, under a contract with both Kaiser and Regence BCBSO, a current Regence enrollee would be forced to switch to a Kaiser system. Mr. King stated that the patient advocates would likely oppose the arrangement if OMIP forced patients to change doctors. Mr. Barnett stated that new members could have the different choices and old members would stay with the same carriers. Ms. Streisinger said that the choice would have to be given to the existing members as well. This would add complexity. An analysis would need to be conducted to see where the membership would fall.

Ms. Streisinger said that continuity of care could be the driving factor in decisions about adopting an alternative care model. Mr. Provencher said that the only entity where continuity of care applies is Kaiser. Mr. Barnett asked how many new enrollees were coming out of the Kaiser system. Ms. Streisinger said that OMIP would not want Kaiser to be the only choice in a geographic area if it will create significant disruption. Mr. Barnett stated that when the Board talks about doing different things that require provider changes, it is meaningful to people that are being driven out of their current system. He asked how many people such an arrangement would affect. Mr. King said that he didn't think the number was very high. OMIP does get requests for a Kaiser type option.

Interim Board Decision

Ms. Streisinger said that OMIP staff could bring back two different choices to the Board. Mr. Barnett stated that an analysis of the pros and cons on how it would be structured should be done.

The Board thought that options #1 and #3 were worth pursuing further. Mr. King said that staff could go back to the surveys and look at comments around benefit design. Mr. Lynch stated that if we came up with an odd benefit that we could let the TPA know they would need to be flexible.

Mr. King thanked everyone for their input. Ms. Streisinger said that these were good directions for the staff to follow.

Oregon Prescription Discount Program

Ms. Healey asked if the Oregon Prescription Discount Program is something that might benefit OMIP and, if so, could it be considered somewhere in the process. Mr. Lynch stated that the benefit design process would be the right place for that discussion. Mr. Barnett added that the current prescription provider contracts and utilization management are part of the Regence BCBSO program. Ms. Streisinger wanted to know how OMIP could drive further toward generics.

Mr. Jovick said he would approach Oregon Prescription Discount Program to see what information we could get. Mr. Lynch indicated that staff will follow up to Ms. Healey's question at the next meeting.

Public Comment

No public comment

With no further discussion, the meeting adjourned at 12:00 p.m.