



North Carolina
State Health Plan
FOR TEACHERS AND STATE EMPLOYEES



**Contract with MedCost LLC
Third Party Administrative Services – Alternative Products
Request for Approval**

Redacted

Board of Trustees Meeting

August 28, 2014

Contract Approval Required by Statute

North Carolina General Statutes §135-48.22 and §135-48.33(a) require that the BOT approve all Plan contracts with a value over \$500,000.

The estimated cost of this contract for one year may exceed \$500,000.

This contract is exempt from Department of Administration Purchase & Contract rules pursuant to §135-48.34 as a contract for services related to an optional alternative plan.

SL 2014-100 Mandate

Beginning in 2015 the Plan is required to offer a benefit for non-permanent full-time (newly eligible) employees that:

- Meets the requirements of minimum essential coverage under the Affordable Care Act (ACA)
- Is not greater than a bronze-level plan, as defined under the ACA
- Minimizes the required employer contribution in an administratively feasible manner

Opportunity

Although the Plan utilizes Blue Cross Blue Shield of North Carolina (BCBSNC) as its third party administrator for standard products, Plan staff proposes that we take this opportunity to engage a different vendor for services related to this mandate.

This will allow the Plan to:

- Keep this newly eligible group separate from the permanent employee and retiree populations allowing for easier analysis of demographics and claims experience.
- Gain experience with another vendor for third party administrative services which is important as we look for ways to develop and implement alternative payment and network strategies.
- Evaluate utilization of telehealth services for this population.

MedCost LLC

Company Background

- Based in Winston-Salem NC
- Founded in 1983 and jointly owned by Carolinas HealthCare System and Wake Forest Baptist Health
- Providing network solutions since 1984
- Serving over 500,000 lives in the Carolinas
- Over 46,000 practitioners and 1,300 organizations in-network
- All hospitals in North and South Carolina, including Critical Access Hospitals
- URAC (formerly Utilization Review Accreditation Commission) accredited in provider credentialing since 2000

Service Capability

- Experienced High Deductible Health Plan (HDHP) administrator
- Access to HealthReports transparency tool
- Ability to transmit & receive data to integrate with third parties
- Ability to support banking relationship and enrollment vendor of choice
- Ability to support custom reporting needs
- Ability to provide population health management services
- Ability to provide telehealth services through Teledoc

Third Party Administrative Services

Contract will provide for administration of a bronze-level benefit plan for newly eligible employees including the following:

- Claims processing
- Network access in all 100 North Carolina counties
- Network access in Virginia and South Carolina
- Assigned networks for out-of-state employees
- Production and distribution of member identification cards
- Utilization Management (inpatient and outpatient)
- Complex Case Management
- Personal Care Management (disease management)
- Transitional Care Management
- Telehealth Services
- Personal Health Suite

Cost – Confidential and Proprietary

| Number of Employees | Administrative Fees (PSPM) | Core Health Management Fees (PSPM) | Network Access Fees (PSPM) | Sub-Total (PSPM) | Total PSPM with Additional Fees: |
|---------------------|----------------------------|------------------------------------|----------------------------|------------------|----------------------------------|
| 0-5,000 | Redacted | Redacted | Redacted | Redacted | Redacted |
| 5,001-10,000 | Redacted | Redacted | Redacted | Redacted | Redacted |
| 10,001-15,000 | Redacted | Redacted | Redacted | Redacted | Redacted |
| >15,000 | Redacted | Redacted | Redacted | Redacted | Redacted |

Additional Per Subscriber Per Month (PSPM) Fees for Recommended Optional Services:

| | |
|--------------------------|-----------------|
| Teladoc | Redacted |
| HealthReports | Redacted |
| Personal Care Management | Redacted |
| Personal Health Suite | <u>Redacted</u> |
| Total: | Redacted |

Network Discounts – Confidential and Proprietary

| State | Inpatient | Outpatient | Professional | Overall | Professional as % of Medicare |
|-------|-----------|------------|--------------|----------|-------------------------------|
| NC | Redacted | Redacted | Redacted | Redacted | Redacted |
| SC | Redacted | Redacted | Redacted | Redacted | Redacted |

Administrative Cost

The Plan does not have a reliable estimate of enrollment; however, the total annual cost of the contract, assuming varying levels of enrollment, is as follows:

| Enrollment | Annual Administrative Cost |
|-------------------|-----------------------------------|
| 500 subscribers | redacted |
| 1,500 subscribers | redacted |
| 3,000 subscribers | redacted |
| 6,000 subscribers | redacted |

Recommendation

Plan staff recommends approval of a Contract with MedCost LLC for third party administrative services for the alternative benefit option (bronze-level plan) to be offered to newly eligible employees, effective October 1, 2014.

The Contract term will be for one year, with two optional one year renewals and will include a three month implementation period.