

---

## AGENDA ITEM DETAILS

**Subject:** Consideration of Contract Award Recommendation to Provide Third Party Administrative Services for the HealthSelect of Texas® and the Consumer Directed HealthSelect<sup>SM</sup> Plans under the Texas Employees Group Benefits Program – (Action)

---

### RECOMMENDED ACTION:

Move that the Board authorize the Executive Director to negotiate and execute a contract with [RESPONDENT NAME] with terms that are fully acceptable to ERS and authorize the Executive Director to administer the resulting contract to provide for third-party administration of the self-funded **HealthSelect of Texas® and Consumer Directed HealthSelect<sup>SM</sup> Plans.**

## Background

ERS administers the HealthSelect of Texas® (HealthSelect) and Consumer Directed HealthSelect<sup>SM</sup> (CDHS) plans under the Texas Employees Group Benefits Program (GBP). HealthSelect is a self-funded, managed care, point-of-service health plan, and CDHS is a high-deductible health plan provided on a self-funded basis paired with a health savings account. Administration of the health savings account is not included in this solicitation.

Services provided by a third-party administrator (Services) include claims processing, network management, and utilization review. Other key services include legal and regulatory compliance services; communication services to include website and participant engagement; information systems services; and operational services to include account management, customer service, program reporting, and the provision of compliance and industry expertise, as well as other similar services.

## Current Contract

On December 2, 2016, ERS contracted with Blue Cross and Blue Shield of Texas, an Operating Division of Health Care Service Corporation, a Mutual Legal Reserve Company (BCBSTX), to provide third-party administrator services for HealthSelect and CDHS.

## Issuance of Solicitation

ERS resolicits the Services regularly to ensure the GBP continues to provide high-quality, cost-effective benefits to its participants by offering health benefit plans that are administered in the best interest of its participants by a qualified and experienced third-party administrator. On April 11, 2023, ERS issued a request for proposals (RFP) to solicit a qualified entity to provide the Services.

The solicitation provides for a contract term that begins upon execution of the contract by ERS and extends through August 31, 2030, subject to the terms of the contract. Services are expected to be provided under this contract from September 1, 2024, to August 31, 2030.

## Response to Solicitation and Evaluation

In the RFP published on April 11, 2023, ERS requested that interested entities first submit completed Minimum Requirements Questionnaires. By the due date of May 3, 2023, ERS received Minimum Requirements Questionnaires from two entities: BCBSTX and United Health Group Incorporated. On May 24, 2023, ERS issued an amendment to the RFP. Per the amended RFP, proposals were due on

June 8, 2023. By this due date, ERS received one proposal submitted by BCBSTX. United Health later confirmed to ERS that it had decided to not move forward with the solicitation based on a business decision.

As provided for in Article II of the amended RFP, ERS evaluated BCBSTX's proposal in three phases: (1) Preliminary Review Phase, (2) Proposal Review Phase, and (3) Finalists Review Phase.

### **1. Preliminary Review Phase**

The Preliminary Review Phase included an initial evaluation of RFP compliance, an initial responsiveness review, and evaluation of certain vendor performance checks required by The Texas Comptroller of Public Accounts.

BCBSTX passed the Preliminary Review Phase and moved to the Proposal Review Phase.

### **2. Proposal Review Phase**

For the Proposal Review Phase, ERS conducted a substantive review of BCBSTX's proposal. The RFP evaluation team, which included subject matter experts (SMEs) from multiple ERS divisions, including Group Benefits, Customer Benefits, Benefits Communications, Enterprise Planning Office, Finance, Information Systems, Internal Audit, and the Office of the General Counsel, reviewed the Operational Capabilities and Services portions of the proposal. Group Benefits reviewed the Price Proposal.

Operational Capabilities and Services scores represented 35% of BCBSTX's final score. The Price Proposal represented 65% of the total score, based on the Price Proposal Scoring Methodology.

Certain pass/fail items may be preliminarily reviewed or evaluated in full during the Proposal Review Phase. These items include contractibility, legal requirements and regulatory compliance, SOC-1 and SOC-2 reports, and financial stability.

Based on the evaluation of the Proposal Review Phase, ERS chose to continue to review BCBSTX's proposal in the Finalists Review Phase.

### **3. Finalists Review Phase**

During the Finalists Review Phase, ERS staff scored the proposal using the same criteria and weights used in the Proposal Review Phase. SMEs updated their Operational Capabilities and Services scores based on new information gathered through clarification questions, site visits, and an in person interview with senior company officials. The Price score was updated based on BCBSTX's best and final offer. ERS also evaluated any outstanding pass/fail items from the Proposal Review Phase and scored past performance and site visits on a pass/fail basis.

ERS conducted an in-person site visit to BCBSTX's primary data center on August 23, 2023, and remote site visits to the security operations and secondary data centers on August 24, 2023. ERS conducted remote operational and call center site visits with BCBSTX on September 12, 2023. The face-to-face interview occurred on September 27, 2023, and included a prepared presentation by BCBSTX with two case studies and further questions posed by staff.

### **ERS Recommendation**

Based on the evaluation process, ERS recommends awarding the contract to the Respondent who offers the best value to ERS, as detailed in Attachment 1.

### **ATTACHMENTS:**

1. Finalist Scoring Summary – **(CONFIDENTIAL FOR BOARD ONLY)**
2. Pricing Comparison – **(CONFIDENTIAL FOR BOARD ONLY)**
3. Slides – Contract Award Recommendation for Third-Party Administration of HealthSelect and CDHP Plans