

Public Agenda Item #22

*Consideration of Contract Award Recommendation to Provide Third-Party Administrative Services for HealthSelect of Texas[®] and the Consumer Directed HealthSelectSM Plans under the Texas Employees Group Benefits Program—
(Action)*

December 6, 2023

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HealthSelect and CDHS Plans

Current Contract



ERS contracts with **Blue Cross and Blue Shield of Texas (BCBSTX)** to provide HealthSelect of Texas[®] (HealthSelect) and Consumer Directed HealthSelectSM (CDHS) Services under the Texas Employees Group Benefits Program (GBP).

- HealthSelect – a managed care, point-of-service health plan
- CDHS – a high-deductible health plan provided with a health savings account

The cost of the plans is funded by the state, but participants pay a portion of dependent coverage.

HealthSelect and CDHS Plans

Who is responsible for program policy?



Texas Legislature			ERS Board of Trustees	
Eligibility	Contribution Strategy	Appropriations	Professional Management	Plan Design
Who can be covered	How the cost is shared	How the cost is funded	How contracting and cost management save the plan money	How benefits ensure quality, provide choice and align incentives with health risks

HealthSelect and CDHS Plans



Issuance of Solicitation

On April 11, 2023, ERS issued a request for proposals (RFP) for a qualified entity to provide third-party administration services for the HealthSelect and CDHS Plans.

The solicitation provides for a contract term of six years, which begins upon execution of the contract by ERS and extends through August 31, 2030, subject to the terms of the contract.

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Minimum Requirements Review

- ERS received two Minimum Requirements submissions by the due date of May 3, 2023:
 - BCBSTX; and
 - United Health Group Incorporated.
- ERS issued an amendment to the RFP on May 24, 2023 with a due date for proposals of June 8, 2023.
 - ERS received a proposal from BCBSTX.

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Preliminary Review Phase

- For the Preliminary Review Phase, ERS evaluated the proposal on:
 - Compliance with the RFP;
 - Responsiveness; and
 - Certain vendor performance checks required by the Texas Comptroller of Public Accounts.

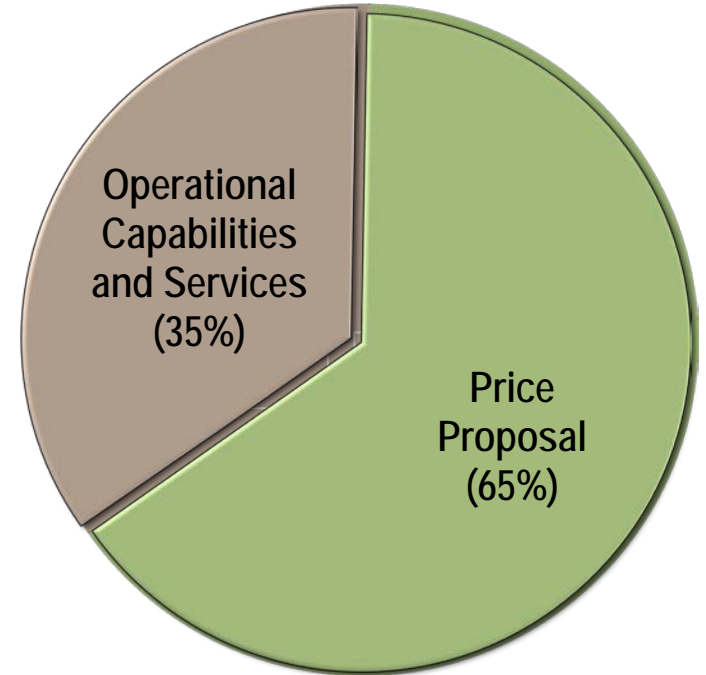
- BCBSTX passed the Preliminary Review Phase and moved to the Proposal Review Phase.

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Proposal Review Phase

ERS determines the appropriate weighting of Price, and Operational Capabilities and Services. For this RFP:

- Price Proposal, 65%; and
- Operational Capabilities and Services, 35%.



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Proposal Review Phase

- Price Proposal (65%) includes:
 - Proposed administrative fee;
 - In-area Target Claim Cost (TCC);
 - Provider reimbursements;
 - Information regarding Texas network providers; and
 - Information regarding Texas contracted non-network providers.
- Operational capabilities and services (35%) include program eligibility, provider network, communication, information systems and operational requirements.

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Proposal Review Phase



ERS also began evaluating several pass/fail items during the Proposal Review Phase:

- Contractibility;
- Legal requirements and regulatory compliance;
- SOC-1 and SOC-2 audit reports; and
- Financial stability.

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Proposal Review Phase



Based on the evaluation of the pass/fail items, Operational Capabilities and Services, and Price during the Proposal Review Phase, ERS chose to continue to review BCBSTX's proposal in the Finalists Review Phase.

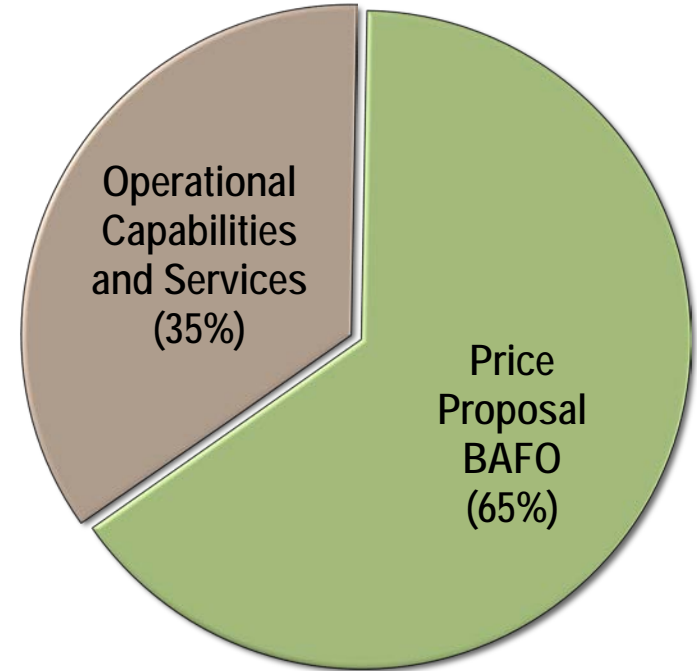
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Finalists Review Phase



ERS evaluated the Finalist based on new and clarified information:

- Data Center and Security Operations Center Site Visits (in person and via video conference);
- Operational Facilities Site Visits (via video conference);
- Interviews (in person);
- Past Performance;
- Financial Stability;
- Contractibility and Legal Requirements and Regulatory Compliance;
- Best and Final Offer (BAFO) Price.



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Finalists Review Phase – Scoring



	Total 100%	Price 65%	Operational Capabilities and Services 35%
BCBSTX	93.25	65	28.25

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Finalists Review Phase: Price

- BCBSTX proposed the same network that is currently used by HealthSelect participants. Therefore, the only difference in the price from the current contract is the administrative fee.

	Current	BCBS	Difference
Administrative Fee	\$320.1 million	\$291.9 million	\$28.2 million

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Finalists Review Phase: Network



- The proposed network is the same as the current HealthSelect network. However, this network has grown since the last RFP.

	2017 RFP	2023 RFP
% of Members with Access	89.6%	95.5%
PCPs	8,857	21,579
Specialists	42,598	66,790
Behavioral Health Providers	5,541	23,856

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Finalists Review Phase: Operational Capabilities



- BCBSTX's proposal improves on its current contract offerings, such as
 - Numerous third-party vendor relationships;
 - Additional programs to promote wellness and reduce claims;
 - More patient-centered medical homes;
 - Strategic use of AI;
 - Increase in number of ERS-dedicated staff; and
 - Broad-sweeping innovative ideas.

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ERS Recommendation

Based on the evaluation process discussed, ERS recommends the Board of Trustees of the Employees Retirement System of Texas award the contract to Blue Cross and Blue Shield of Texas, to provide third-party administration of the HealthSelect of Texas[®] and the Consumer Directed HealthSelectSM Plans under the Texas Employees Group Benefits Program.

Discussion
Action Item