

FARGO BOARD OF EDUCATION MEMO #124

May 28, 2024

RE: Award of Proposal – Self-Insured Group Medical Insurance

FROM: Dr. Jeff McCanna, Chief Human Capital Officer
 Jackie Gapp, Business Services Manager
 Karen Hollerung, Health Insurance Committee, Chair

BOARD FOCUS: Action Required

Proposals were received on March 14, 2024, for self-insured group medical insurance services. In collaboration with Gallagher & Co., the District’s benefits consultant, the Health Insurance Committee (“HIC”) has met and reviewed the proposals submitted. Three qualifying responses to the RFP were received: Blue Cross Blue Shield of ND, HealthPartners, and United Health Care. Allina Health and Aetna declined to submit proposals. Although Medica provided an administrative services proposal, they did not provide a stop-loss proposal.

Numerous factors were evaluated by the HIC with the support of Gallagher & Co. which included:

- Administrative Fee/Stop Loss Proposal/Expected Claim Rates
- Value-Added Services
- Disease and Case Management
- Wellbeing Initiatives
- Provider Disruption
- Pharmacy Comparison and Disruption
- Provider Discounts and Guarantees
- Pharmacy Rebates and Guarantees
- Overall Financial “Package”

The market analysis and summary of plan benefits comparisons between the three providers was reviewed by the HIC on March 19, 2024, and consensus was reached regarding the award of a three-year proposal.

2025 Three-Year Aggregate Calculation (Fixed (+) Claims)			
	Blue Cross Blue Shield of ND	HealthPartners	United Health Care
Total 3-Year Fixed Costs	\$1,966,805	\$4,023,397	\$2,828,417
Estimated (3) Year Medical Allowed*	\$52,076,707	\$50,102,681	\$53,486,727
Estimated (3) Year Pharmacy Costs**	\$19,122,819	\$15,384,408	\$18,661,287
Estimated (3) Year Pharmacy Rebates***	(\$7,311,219)	(\$4,292,784)	(\$6,305,000)
3-Year Aggregate Total Estimated	\$65,855,112	\$65,217,702	\$68,671,431

*Second-Third year claims calculation (2026-2027) is a duplication of the 2025 estimation and should not be used for budgeting purposes.

**Estimated pharmacy costs based on current costs and generic utilization rate assuming same medications are filled over the next three years with no changes to the drug mix. These numbers should not be used for budgeting, simply to assist in comparing carriers. Estimated pharmacy trend each year is 5%.

***2025 projected rebates for each carrier increasing by 5% each year. Actual rebates for each plan year will vary based on drug mix and potential changes to manufacturer rebates.

The HIC recommends the District award HealthPartners the self-insurance group medical insurance contract effective January 1, 2025. Premium rates and funding levels will be reviewed subsequently. This recommendation is consistent with the efforts of the HIC to provide quality health insurance at an affordable cost to both the employer and employee.

RECOMMENDATION: Approve the Health Insurance Committee's recommendation and authorize Administration to enter into a three-year contractual agreement for self-insured group medical insurance services with HealthPartners effective January 1, 2025.