

# 23023

Date: November 17, 2011

To: Board of Acquisition and Contract

From: Ann Marie Berg  
Commissioner of Finance

Re: Authority to enter into an agreement with POMCO, Inc. ("POMCO") for the provision of health plan administrative services in connection with the County of Westchester's Employee Benefit Plans for the period January 1, 2012 through December 31, 2014, with the County having the sole option to extend the agreement for two (2) additional two (2) year terms

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The County of Westchester's ("County") existing contract with a Third Party Administrator ("TPA") for the provision of health plan administrative services and Preferred Provider Organization ("PPO") Network Services in connection with the County's Employee and Retiree Benefit Plans is due to expire on December 31, 2011. Pursuant to the Westchester County Procurement Policy, in September of this year, the County issued a Request for Proposals ("RFP") for Third Party Administration Services and PPO Network Services for a term of three (3) years with a County option to extend the agreement for two (2) additional two (2) year terms. RFPs were distributed to fourteen (14) organizations. Six (6) proposals were received from a total of 7 organizations. One of the proposals was a joint proposal submitted by Aetna Life Insurance Company and Maxon Administrators Inc. ("Aetna/Maxon"). During its review of the proposals, the Department of Finance determined that only two of the proposals, those submitted by POMCO Inc. ("POMCO") and Aetna/Maxon, were responsive to all the requirements of the RFP.

When judged as a whole, POMCO's entire proposal best met the selection criteria contained in the RFP, including resulting in the least cost to the County. As the incumbent, POMCO has provided TPA services to the County for more than 25 years. During that period, their PPO network has grown to over 13,000 providers and facility locations utilized by the County's employees/retiree's, as well as access to over 650,000 providers and facilities nationwide. This network not only provides great access, but also allows POMCO to negotiate the lowest reimbursement rates among those providers serving the needs of Westchester County enrollees and dependents when compared to area insurers. In addition, since POMCO is the incumbent, there will be no added expense to the County or inconvenience to the County's

employees and retirees that would arise out of a transition to a new TPA. POMCO has also agreed to a series of performance standards in the following areas: attendance at County meetings, telephone call availability and answering speed, telephone call abandonment rate, written inquiries response time, claims processing turnaround time, overall claims payment accuracy and PPO Network Administration. Failure to attain these standards will result in contractual financial disincentives to POMCO.

The term of the proposed agreement will be three (3) years, commencing January 1, 2012, with the County having the sole option to extend the agreement for two (2) additional two (2) year terms. The County will also have the option to terminate the agreement for convenience upon not less than sixty (60) days notice to POMCO.

For the TPA and PPO services to be provided, POMCO shall be paid the following not to exceed amounts:

<u>Year</u>	<u>Yearly Amounts</u>
2012	\$4,489,266
2013	\$4,489,266
2014	\$4,489,266

This administrative fee is based on the pricing proposed and the number of eligible employees and retirees (the "census") provided by the County during the RFP process. These amounts may fluctuate based on the monthly census, however, the price proposal will remain the same over the three year term of the agreement. If there is an increase or decrease in the yearly amounts indicated above, the change will be due to fluctuations in the census.

Based upon the entirety of their proposal, I recommend approval of the attached resolution authorizing the County to enter into an agreement with POMCO for the provision of health plan administrative services in connection with the County's Employee and Retiree Benefit Plans for the period January 1, 2012 through December 31, 2014, with the County having the sole option to extend the agreement for two (2) additional two (2) year terms.

AMB/DCK/TSA

## RESOLUTION

Upon a communication from the Commissioner of Finance, be it hereby

**RESOLVED**, that the County of Westchester (“County”) is hereby authorized to enter into an agreement with POMCO Inc. (“POMCO”) as a Third Party Administrator (“TPA”), for the provision of health plan administrative services and Preferred Provider Organization (“PPO”) Network Services in connection with the County’s Employee and Retiree Benefit Plans for the period January 1, 2012 through December 31, 2014, with the County having the sole option to extend the agreement for two (2) additional two (2) year terms; and be it further

**RESOLVED**, that the County shall have the option to terminate the agreement for convenience upon not less than sixty (60) days notice to POMCO; and be it further

**RESOLVED**, that for the TPA and PPO services to be provided, POMCO shall be paid the following not to exceed amounts:

<u>Year</u>	<u>Yearly Amounts</u>
2012	\$4,489,266
2013	\$4,489,266
2014	\$4,489,266

This administrative fee is based on the pricing proposed and the number of eligible employees and retirees (the “census”) provided by the County during the RFP process. These amounts may fluctuate based on the monthly census, however, the price proposal will remain the same over the three year term of the agreement. If there is an increase or decrease in the yearly amounts indicated above, the change will be due to fluctuations in the census; and be it further

**RESOLVED**, that this Agreement is subject to County appropriations; and be it further

**RESOLVED**, that this Agreement is also subject to further financial analysis of the impact of any New York State Budget (the “State Budget”) proposed and adopted during the term of this Agreement. The County shall retain the right, upon the occurrence of any release by the Governor of a proposed State Budget and/or the adoption of a State Budget or any amendments thereto, and for a reasonable period of time after such release(s) or adoption(s), to conduct an analysis of the impacts of any such State Budget on County finances. After such analysis, the County shall retain the right to either terminate this Agreement or to renegotiate the amounts and rates approved herein. If the County subsequently offers to pay a reduced amount to POMCO, then POMCO shall have the right to terminate this Agreement upon reasonable prior written notice; and be it further

**RESOLVED**, that the County Executive or his authorized designee is hereby authorized to execute all instruments and take all actions reasonably necessary to implement this Resolution.

Account to be Charged/credited	Fund	Dept	Major Program, Program & Phase Or Unit	Object/ Sub Object	Trust Account	Dollars
	617	61	0010	1680		\$4,489,266 (2012)
	617	61	0010	1680		\$4,489,266 (2013)
	617	61	0010	1680		\$4,489,266 (2014)

Budget Funding Year(s) 2012 -2014 Start Date 1/1/12 End Date 12/31/14

Funding Source Tax Dollars \$13,467,798  
 State Aid \_\_\_\_\_  
 \$ 13,467,798 Federal Aid \_\_\_\_\_  
 (must match resolution)  
 Other \_\_\_\_\_

APPROVED BOARD OF ACQUISITION & CONTRACT 12/15/2014 - JOMARY WEIRA, SECRETARY