

**RESOLUTION 16-140**

**A RESOLUTION APPROVING AND AUTHORIZING EXECUTION OF AN AMENDMENT TO ADMINISTRATIVE SERVICES AGREEMENT WITH BLUE CROSS BLUE SHIELD OF FLORIDA, AND PROVIDING AN EFFECTIVE DATE.**

**BE IT RESOLVED** that the appropriate officers of the City are authorized but not required to execute and deliver on behalf of the City that certain Amendment to Administrative Services Agreement between the City and Blue Cross and Blue Shield of Florida, Inc., d/b/a Florida Blue ("Florida Blue"), relating primarily to the duties and responsibilities of Florida Blue with respect to Inter-Plan programs, in substantially the form attached and presented to the Council today, with such changes, insertions or omissions as may be approved by the City Manager, whose execution of such agreement shall be conclusive evidence of such approval.

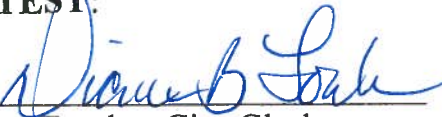
**THIS RESOLUTION** shall be effective immediately upon passage.

**PASSED** in regular session this 22<sup>nd</sup> day of September, 2016.

**CITY OF PANAMA CITY BEACH**

By:   
Mike Thomas, Mayor

**ATTEST:**

  
Diane Fowler, City Clerk



# CITY OF PANAMA CITY BEACH AGENDA ITEM SUMMARY

**1. DEPARTMENT MAKING REQUEST/NAME:**

Administration/Dee Fowler

**2. MEETING DATE:**

September 22, 2016

**3. REQUESTED MOTION/ACTION:**

Approve amendment to Blue Cross Blue Shield Administrative Service Agreement.

**4. AGENDA**

PRESENTATION   
PUBLIC HEARING   
CONSENT   
REGULAR

**5. IS THIS ITEM BUDGETED (IF APPLICABLE)?** YES  NO  N/A   
BUDGET AMENDMENT OR N/A

DETAILED BUDGET AMENDMENT ATTACHED YES  NO  N/A

**6. BACKGROUND: (WHY IS THE ACTION NECESSARY, WHAT GOAL WILL BE ACHIEVED)**

In 2012, the City established a self-funded employee health insurance program which took effect January 1, 2013, utilizing essentially the same Blue Cross Blue Shield benefit plan then in place. As part of that effort, the City entered an Administrative Services Agreement with Blue Cross Blue Shield to act as the City's third party administrator of the program.

Blue Cross Blue Shield has proposed an amendment to the Administrative Service Agreement to take effect January 2017. The amendments generally update existing Inter-Plan disclosure language to address changes in governmental regulations and technical procedures. These changes include:

- Revisions to Inter-Plan Programs policies and provisions that better align them with Licensee practices.
- Information regarding the BlueCard Worldwide Program ®.
- State surcharge regulations issued by state health departments or state insurance departments to fund an ever expanding list of state-based healthcare services.
- The inclusion of various provider care delivery reimbursement arrangements, generally known as value-based programs, to the health benefits marketplace.

These are mandatory changes required of BCBS, and in turn Florida Blue, to comply with State and Federal mandates. Both Staff and Legal have reviewed and recommend acceptance of the amended service agreement as presented.

## AMENDMENT TO ADMINISTRATIVE SERVICES AGREEMENT

This Amendment, which is effective January 1, 2017, is by and between Blue Cross and Blue Shield of Florida, Inc. (hereinafter referred to as "Florida Blue") and City of Panama City Beach (hereinafter referred to as "Employer"). In consideration of the mutual and reciprocal promises herein contained, the Administrative Services Agreement between Florida Blue and Employer (hereinafter "Agreement") is amended as follows:

1. The subsection entitled "Claims Processing" in Section III, Duties and Responsibilities of Florida Blue, is hereby amended by adding the following:

For value-based reimbursement programs Florida Blue enters into with participating providers, an applicable per member per month charge may be included in lieu of a claim level surcharge.

2. The subsection entitled "Providers Outside the State of Florida", under Section III, Duties and Responsibilities of Florida Blue is hereby deleted in its entirety and replaced with the following:

### A. Inter-Plan Arrangements

Florida Blue has a variety of relationships with other Blue Cross and/or Blue Shield Licensees referred to generally as "Inter-Plan Arrangements." These Inter-Plan Arrangements operate under rules and procedures issued by the Blue Cross Blue Shield Association ("Association"). Whenever members access healthcare services outside the geographic area Florida Blue serves, the claim for those services may be processed through one of these Inter-Plan Arrangements. The Inter-Plan Arrangements are described generally below.

Typically, when accessing care outside the geographic area Florida Blue serves, members obtain care from healthcare providers that have a contractual agreement ("participating providers") with the local Blue Cross and/or Blue Shield Licensee in that other geographic area ("Host Blue"). In some instances, members may obtain care from healthcare providers in the Host Blue geographic area that do not have a contractual agreement ("nonparticipating providers") with the Host Blue. Florida Blue remains responsible for fulfilling our contractual obligations to Employer. Florida Blue payment practices in both instances are described below.

This disclosure describes how claims are administered for Inter-Plan Arrangements and the fees that are charged in connection with Inter-Plan Arrangements. (Note that Dental Care Benefits, except when not paid as medical claims/benefits, and those Prescription Drug Benefits or Vision Care Benefits that may be administered by a third party contracted by Florida Blue to provide the specific service or services are not processed through Inter-Plan Arrangements.)

### B. BlueCard® Program

The BlueCard® Program is an Inter-Plan Arrangement. Under this Arrangement, when members access covered healthcare services within the geographic area served by a Host Blue, the Host Blue will be responsible for contracting and handling all interactions with its participating healthcare providers. The financial terms of the BlueCard Program are described generally below.

1. Liability Calculation Method Per Claim – In General

a. Member Liability Calculation

Unless subject to a fixed dollar copayment, the calculation of the member liability on claims for covered healthcare services will be based on the lower of the participating provider's billed covered charges or the negotiated price made available to Florida Blue by the Host Blue.

b. Employer Liability Calculation

The calculation of Employer liability on claims for covered healthcare services processed through the BlueCard Program will be based on the negotiated price made available to Florida Blue by the Host Blue (under the contract between the Host Blue and the provider). Sometimes, this negotiated price may be greater for a given service or services than the billed charge in accordance with how the Host Blue has negotiated with its participating healthcare provider(s) for specific healthcare services. In cases where the negotiated price exceeds the billed charge, Employer may be liable for the excess amount even when the member's deductible has not been satisfied. This excess amount reflects an amount that may be necessary to secure (a) the provider's participation in the network and/or (b) the overall discount negotiated by the Host Blue. In such a case, the entire contracted price is paid to the provider, even when the contracted price is greater than the billed charge.

2. Claims Pricing

Host Blues determine a negotiated price, which is reflected in the terms of each Host Blue's provider contracts. The negotiated price made available to Florida Blue by the Host Blue may be represented by one of the following:

- (i) An actual price. An actual price is a negotiated rate of payment in effect at the time a claim is processed without any other increases or decreases; or
- (ii) An estimated price. An estimated price is a negotiated rate of payment in effect at the time a claim is processed, reduced or increased by a percentage to take into account certain payments negotiated with the provider and other claim- and non-claim-related transactions. Such transactions may include, but are not limited to, anti-fraud and abuse recoveries, provider refunds not applied on a claim-specific basis, retrospective settlements and performance related bonuses or incentives; or
- (iii) An average price. An average price is a percentage of billed covered charges in effect at the time a claim is processed representing the aggregate payments negotiated by the Host Blue with all of its healthcare providers or a similar classification of its providers and other claim- and non-claim-related transactions. Such transactions may include the same ones as noted above for an estimated price.

The Host Blue determines whether it will use an actual, estimated or average price. The use of estimated or average pricing may result in a difference (positive or negative) between the price Employer pays on a specific claim and the actual amount the Host Blue pays to the provider. However, the BlueCard Program requires that the amount

paid by the member and Employer is a final price; no future price adjustment will result in increases or decreases to the pricing of past claims.

Any positive or negative differences in estimated or average pricing are accounted for through variance accounts maintained by the Host Blue and are incorporated into future claim prices. As a result, the amounts charged to Employer will be adjusted in a following year, as necessary, to account for over- or underestimation of the past years' prices. The Host Blue will not receive compensation from how the estimated price or average price methods, described above, are calculated. Because all amounts paid are final, neither positive variance account amounts (funds available to be paid in the following year), nor negative variance amounts (the funds needed to be received in the following year), are due to or from Employer. If Employer terminates, you will not receive a refund or charge from the variance account.

Variance account balances are small amounts relative to the overall paid claims amounts and will be liquidated over time. The timeframe for their liquidation depends on variables, including, but not limited to, overall volume/number of claims processed and variance account balance. Variance account balances may earn interest at the federal funds or similar rate. Host Blues may retain interest earned on funds held in variance accounts.

### 3. BlueCard Program Fees and Compensation

Employer understands and agrees to reimburse Florida Blue for certain fees and compensation which Florida Blue is obligated under the BlueCard Program to pay to the Host Blues, to the Association and/or to vendors of BlueCard Program related services. The specific BlueCard Program fees and compensation that are charged to Employer are set forth in Exhibit B. BlueCard Program Fees and compensation may be revised from time to time.

Only the BlueCard Program access fee may be charged separately each time a claim is processed through the BlueCard Program. All other BlueCard Program related fees are included in the Administrative Fee.

The access fee is charged by the Host Blue to Florida Blue for making its applicable provider network available to Employer's. The access fee will not apply to non-participating provider claims. The access fee is charged on a per claim basis and is charged as a percentage of the discount/differential Florida Blue receives from the applicable Host Blue subject to a maximum of \$2,000 per claim. When charged, Florida Blue passes the access fee directly on to Employer.

Instances may occur in which the claim payment is zero or Florida Blue pays only a small amount because the amounts eligible for payment were applied to patient cost sharing (such as a deductible or coinsurance). In these instances, Florida Blue will pay the Host Blue's access fee and pass it along directly to Employer as stated above even Employer paid little or had no claim liability.

An Administrative Fee encompasses fees Florida Blue charges to Employer for administering Employer's benefit plan. They may include both local (within Florida Blue's service area) and Inter-Plan fees. For purposes of this Agreement, they include the following BlueCard Program related fees other than the BlueCard Program access

fee: namely, administrative expense allowance (AEA) fee, central financial agency fee, ITS transaction fee, toll free number fee, PPO provider directory fee and BlueCard Worldwide Program Fees, if applicable.

### C. Special Cases: Value-Based Programs

#### Value-Based Programs Definitions

**Accountable Care Organization (ACO):** A group of healthcare providers who agree to deliver coordinated care and meet performance benchmarks for quality and affordability in order to manage the total cost of care for their member populations.

**Global Payment/Total Cost of Care:** A payment methodology that is defined at the patient level and accounts for either all patient care or for a specific group of services delivered to the patient such as outpatient, physician, ancillary, hospital services and prescription drugs.

**Patient-Centered Medical Home (PCMH):** A model of care in which each patient has an ongoing relationship with a primary care physician who coordinates a team to take collective responsibility for patient care and, when appropriate, arranges for care with other qualified physicians.

**Shared Savings:** A payment mechanism in which the provider and payer share cost savings achieved against a target cost budget based upon agreed upon terms and may include downside risk.

**Value-Based Program (VBP):** An outcomes-based payment arrangement and/or a coordinated care model facilitated with one or more local providers that is evaluated against cost and quality metrics/factors and is reflected in provider payment.

#### Value-Based Programs Overview

Employer's members may access covered healthcare services from providers that participate in a Host Blue's Value-Based Program. Value-Based Programs may be delivered either through the BlueCard Program or a Negotiated Arrangement. These Value-Based Programs may include, but are not limited to, Accountable Care Organizations, Global Payment/Total Cost of Care arrangements, Patient Centered Medical Homes and Shared Savings arrangements.

#### Value-Based Programs under the BlueCard Program

Under Value-Based Programs, a Host Blue may pay providers for reaching agreed upon cost/quality goals in the following ways:

The Host Blue may pass these provider payments to Florida Blue, which Florida Blue will pass directly on to Employer as either an amount included in the price of the claim or an amount charged separately in addition to the claim.

When such amounts are included in the price of the claim, the claim may be billed using one of the following pricing methods, as determined by the Host Blue:

- (i) **Actual Pricing:** The charge to accounts for Value-Based Programs

incentives/Shared Savings settlements is part of the claim. These charges are passed to Employer via an enhanced provider fee schedule.

- (ii) Supplemental Factor: The charge to accounts for Value-Based Programs incentives/Shared Savings settlements is a supplemental amount that is included in the claim as an amount based on a specified supplemental factor (e.g., a small percentage increase in the claim amount). The supplemental factor may be adjusted from time to time.

When such amounts are billed separately from the price of the claim, they may be billed as follows:

- Per Member Per Month (PMPM) Billings: Per member per month billings for Value-Based Programs incentives/Shared Savings settlements to accounts are outside of the claim system. Florida Blue will pass these Host Blue charges directly through to Employer as a separately identified amount on the group billings; or,
- Where Host Blues pass on the costs of Value-Based Programs to Florida Blue as PMPM amounts not attached to specific claims, Florida Blue may elect to pass these amounts to Employer as a claim amount.

The amounts used to calculate either the supplemental factors for estimated pricing or PMPM billings are fixed amounts that are estimated to be necessary to finance the cost of a particular Value-Based Program. Because amounts are estimates, there may be positive or negative differences based on actual experience, and such differences will be accounted for in a variance account maintained by the Host Blue (in the same manner as described in the BlueCard claim pricing section above) until the end of the applicable Value-Based Program payment and/or reconciliation measurement period. The amounts needed to fund a Value-Based Program may be changed before the end of the measurement period if it is determined that amounts being collected are projected to exceed the amount necessary to fund the program or if they are projected to be insufficient to fund the program.

At the end of the Value-Based Program payment and/or reconciliation measurement period for these arrangements, Host Blues will take one of the following actions:

- Use any surplus in funds in the variance account to fund Value-Based Program payments or reconciliation amounts in the next measurement period.
- Address any deficit in funds in the variance account through an adjustment to the PMPM billing amount or the reconciliation billing amount for the next measurement period.

The Host Blue will not receive compensation resulting from how estimated, average or PMPM price methods, described above, are calculated. If Employer terminates, you will not receive a refund or charge from the variance account. This is because any resulting surpluses or deficits would be eventually exhausted through prospective adjustment to the settlement billings in the case of Value-Based Programs. The measurement period for determining these surpluses or deficits may differ from the term of this Agreement.

Variance account balances are small amounts relative to the overall paid claims amounts and will be liquidated over time. The timeframe for their liquidation depends on variables, including, but not limited to, overall volume/number of claims processed and variance

account balance. Variance account balances may earn interest, and interest is earned at the federal funds or similar rate. Host Blues may retain interest earned on funds held in variance accounts.

Note: Members will not bear any portion of the cost of Value-Based Programs except when a Host Blue uses either average pricing or actual pricing to pay providers under Value-Based Programs.

#### Care Coordinator Fees

Host Blues may also bill Florida Blue for care coordinator fees for provider services which we will pass on to Employer as follows:

1. PMPM billings; or
2. Individual claim billings through applicable care coordination codes from the most current editions of either Current Procedural Terminology (CPT) published by the American Medical Association (AMA) or Healthcare Common Procedure Coding System (HCPCS) published by the U.S. Centers for Medicare and Medicaid Services (CMS).

As part of this Agreement, Florida Blue and Employer will not impose member cost sharing for care coordinator fees.

#### D. Return of Overpayments

Recoveries from a Host Blue or its participating and nonparticipating providers can arise in several ways, including, but not limited to, anti-fraud and abuse recoveries, healthcare provider/hospital bill audits, credit balance audits, utilization review refunds and unsolicited refunds. Recoveries will be applied in general, on either a claim-by-claim or prospective basis. If recovery amounts are passed on a claim-by-claim basis from a Host Blue to Florida Blue they will be credited to Employer. In some cases, the Host Blue will engage a third party to assist in identification or collection of recovery amounts. The fees of such a third party may be charged to Employer as a percentage of the recovery.

#### E. Inter-Plan Programs: Federal/State Taxes/Surcharges/Fees

In some instances federal or state laws or regulations may impose a surcharge, tax or other fee that applies to self-funded accounts. If applicable, Florida Blue will disclose any such surcharge, tax or other fee to Employer, which will be Employer's liability.

#### F. Nonparticipating Providers Outside Florida Blue's Service Area

##### 1. Member Liability Calculation

###### a. In General

When covered healthcare services are provided outside of Florida Blue's service area by nonparticipating providers, the amount(s) a member pays for such services will be based on either the Host Blue's nonparticipating healthcare provider local payment or the pricing arrangements required by applicable state law. In these situations, the member may be responsible for the difference between the amount



that the nonparticipating provider bills and the payment Florida Blue will make for the covered services as set forth in this paragraph. Payments for out-of-network emergency services will be governed by applicable federal and state law.

b. Exceptions

In some exception cases, at Employer's direction, Florida Blue may pay claims from nonparticipating healthcare providers outside of Florida Blue's service area based on the provider's billed charge. This may occur in situations where a member did not have reasonable access to a participating provider, as determined by Florida Blue (in Florida Blue's sole and absolute discretion) or by applicable state law. In other exception cases, (at Employer's direction) Florida Blue may pay such claims based on the payment Florida Blue would make if Florida Blue were paying a nonparticipating provider inside of Florida Blue's service area, as described elsewhere in this Agreement. This may occur where the Host Blue's corresponding payment would be more than Florida Blue's in-service area nonparticipating provider payment. Florida Blue may choose to negotiate a payment with such a provider on an exception basis.

Unless otherwise stated, in any of these exception situations, the member may be responsible for the difference between the amount that the nonparticipating healthcare provider bills and the payment Florida Blue will make for the covered services as set forth in this paragraph.

2. Fees and Compensation

Employer understands and agrees to reimburse Florida Blue for certain fees and compensation which we are obligated under applicable Inter-Plan Arrangement requirements to pay to the Host Blues, to the Association and/or to vendors of Inter-Plan Arrangement-related services. The specific fees and compensation that are charged to Employer are set forth in Exhibit B, if applicable. Fees and compensation under applicable Inter-Plan Arrangements may be revised from time to time.

G. BlueCard Worldwide® Program

1. General Information

If members are outside the United States, (the Commonwealth of Puerto Rico and the U.S. Virgin Islands) (hereinafter: "BlueCard service area"), they may be able to take advantage of the BlueCard Worldwide Program when accessing covered healthcare services. The BlueCard Worldwide Program is unlike the BlueCard Program available in the BlueCard service area in certain ways. For instance, although the BlueCard Worldwide Program assists members with accessing a network of inpatient, outpatient and professional providers, the network is not served by a Host Blue. As such, when members receive care from providers outside the BlueCard service area, the members will typically have to pay the providers and submit the claims themselves to obtain reimbursement for these services.

• Inpatient Services

In most cases, if members contact the BlueCard Worldwide Service Center for assistance, hospitals will not require members to pay for covered inpatient services,

except for their cost-share amounts. In such cases, the hospital will submit member claims to the BlueCard Worldwide Service Center to initiate claims processing. However, if the member paid in full at the time of service, the member must submit a claim to obtain reimbursement for covered healthcare services. Members must contact Florida Blue to obtain precertification for non-emergency inpatient services.

- Outpatient Services

Physicians, urgent care centers and other outpatient providers located outside the BlueCard service area will typically require members to pay in full at the time of service. Members must submit a claim to obtain reimbursement for covered healthcare services.

- Submitting a BlueCard Worldwide Claim

When members pay for covered healthcare services outside the BlueCard service area, they must submit a claim to obtain reimbursement. For institutional and professional claims, members should complete a BlueCard Worldwide International claim form and send the claim form with the provider's itemized bill(s) to the BlueCard Worldwide Service Center address on the form to initiate claims processing. The claim form is available from Florida Blue, the BlueCard Worldwide Service Center, or online at [www.bluecardworldwide.com](http://www.bluecardworldwide.com). If members need assistance with their claim submissions, they should call the BlueCard Worldwide Service Center at 1.800.810.BLUE (2583) or call collect at 1.804.673.1177, 24 hours a day, seven days a week.

2. BlueCard Worldwide Program-Related Fees

Employer understands and agrees to reimburse Florida Blue for certain fees and compensation which we are obligated under applicable Inter-Plan Arrangement requirements to pay to the Host Blues, to the Association and/or to vendors of Inter-Plan Arrangement related services. The specific fees and compensation that are charged to Employer under the BlueCard Worldwide Program are set forth in Exhibit B, if applicable. Fees and compensation under applicable Inter-Plan Arrangements may be revised from time to time.

3. Except as otherwise specifically noted in this Amendment, all other terms and conditions of the Agreement shall remain unchanged and in full force and effect.

IN WITNESS WHEREOF, this Amendment has been executed by the duly authorized representatives of the parties.

BLUE CROSS AND BLUE SHIELD  
OF FLORIDA, INC. D/B/A FLORIDA  
BLUE

CITY OF PANAMA CITY BEACH

By: \_\_\_\_\_

By: \_\_\_\_\_

Title: \_\_\_\_\_

Title: \_\_\_\_\_

Date: \_\_\_\_\_

Date: \_\_\_\_\_