

Approval of Contract in Excess of \$2,000,000

BOARD APPROVED  
August 2, 2019  
JANICE INDRUTZ  
CORPORATE SECRETARY

- Vendor:** Anthem, Inc.
- Item:** University Health Plans Third Party Medical Administration
- Amount:** \$5,400,000/annually  
• \$37.82 per employee per month
- Campus:** West Lafayette; Fort Wayne; Northwest
- Source of Funds:** University Self-Insurance Health Plan Fund (employer/employee premiums)

**Remarks:**

We are seeking approval from the Board of Trustees for Anthem, Inc. to continue to serve as the third-party medical administrator for the University’s three health plans. Anthem has served in this role since 2014. The medical administrator provides the network of providers and facilities for the plans, including negotiating discounts. They also provide the technology system and customer service staff necessary to process all medical claims on behalf of the University and members of the plans.

HR Benefits and Procurement Services issued a Request for Proposal (“RFP”) earlier this year and four (4) qualified responses were received. Aided by our external consultant, LHD Benefits Advisors, a comprehensive review of the proposals was undertaken by representatives from the Treasurer’s Office, HR, APSAC/CSSAC, the University Senate and Provost’s Office. Three finalists were interviewed and best and final offers were solicited and received from all three finalists.

Following this review, Anthem was the consensus recommendation for the following reasons:

1. Broad network access and the strongest guaranteed network discount. Over 99% of billed medical charges in 2018 were in Anthem’s network. Anthem’s negotiated discounts with providers were \$12 to \$14 million per year higher than the other two finalists.
2. Continuity of service. Anthem has been a solid partner of the University since 2014.
3. Stronger alignment to Purdue’s strategic goals. We made significant progress in this negotiation getting Anthem to more closely align to key initiatives we are undertaking to improve population health and manage costs, including:
  - a. Addressing high hospital costs through a new narrow network, Health Sync. Health Sync includes an innovative partnership model with Franciscan, Lutheran Health (Fort Wayne) and St. Vincent that is expected to save \$3.3 million per year.
  - b. Performance guarantee tied to total expenditures. Historically, Anthem has put no money at risk relative to total healthcare costs. As part of this contract, Anthem has agreed to put \$500,000 of their fee at-risk based on the overall trend of medical costs.
  - c. Modifying contractual provisions to ensure the University can negotiate agreements directly with health care providers and any standalone University facility would be in-network.
4. 2 year contract. No increase in administrative fee.
5. Increased focus on timely and effective reporting, with an emphasis on outcomes for Anthem’s managed care programs.