

APPROVE EXERCISING THE OPTION TO RENEW THE AGREEMENT WITH HUMANA HEALTH CHICAGO, INC. TO PROVIDE HEALTH MAINTENANCE ORGANIZATION SERVICES

THE CHIEF EXECUTIVE OFFICER REPORTS THE FOLLOWING DECISION:

Approve exercising the option to renew the agreement with Humana Health Chicago, Inc. (Humana), to provide group medical insurance as a health maintenance organization (HMO) provider to employees and dependents of the Chicago Public Schools, with costs for the renewal period not to exceed \$90,000,000. The amount budgeted herein represents the maximum liability for premium payments to Humana. The Humana renewal provides for a Loss Participation arrangement based on a retrospective calculation comparing claim expense plus retention to paid premium. A written renewal agreement is currently being negotiated. No payment shall be made to vendor during the option period prior to the execution of the written renewal agreement. The authority granted herein shall automatically rescind in the event a written renewal agreement is not executed within 120 days of the date of this Board Report. Information pertinent to this renewal agreement is stated below:

Specification No.: 99-250471

PROVIDER: Humana Health Chicago, Inc.
30 S. Wacker Drive
Chicago, IL 60606
(312) 441-5501
Contact Person: David Jarboe

USER: Bureau of Risk and Benefits Management
125 South Clark Street-14th Floor
Chicago, Illinois 60603
(773) 553-2818
Georgette Hampton, Director

ORIGINAL AGREEMENT The original agreement (authorized by Board Report 99-0922-PR36) is for a 24 month term, commencing January 1, 2000 and ending December 31, 2001 with the Board having the option to renew the agreement for a two-year period, with costs for the renewal period to be negotiated no less than 60 days prior to the end of the initial contract periods and for an amount not to exceed budgeted resources. Humana was selected pursuant to a Request for Proposals in 1999. The agreement was renewed for a one-year period commencing January 1, 2002 and ending December 31, 2002, (authorized by Board Report # 01-0926-PR30).

OPTION PERIOD: By mutual agreement of the parties, this agreement is being renewed for a one year term commencing January 1, 2003 and ending December 31, 2003.

OPTION PERIODS REMAINING: There are no renewal periods remaining.

EARLY TERMINATION: 30 days written notice.

SCOPE OF SERVICES: Humana shall continue to provide full risk-transfer managed care health insurance to Chicago Public School Employees and dependents.

OUTCOMES: Humana's services shall result in adequate, affordable, and comprehensive coverage for the Boards HMO medical insurance program for Chicago Public School employees.

COMPENSATION: The total cost of the HMO program for this 12 month renewal period shall not exceed \$90,000,000. Humana shall be paid a monthly amount based upon enrollment and the rates specified in the renewal agreement.

REIMBURSABLE EXPENSES: The total compensation cost amount reflected herein is inclusive of all reimbursable expenses.

AUTHORIZATION: Authorize the General Counsel to include other relevant terms and conditions in the written renewal agreement. Authorize the President and Secretary to execute the renewal agreement. Authorize the Director of Risk & Benefits Management to execute all ancillary documents required to administer or effectuate this renewal agreement.

AFFIRMATIVE ACTION: Contract amount \$90,000,000

The M/WBE goals for this contract include 26% MBE and 5% total WBE. However, the Wavier Review Committee recommends that a partial waiver of the M/WBE participation goals for this contract as required by the Revised Remedial Plan be granted because the contract scope is not further divisible.

The vendor has however identified and scheduled the following firms and percentages:

Estimated Year 2003 Billed Premium	\$81,158,721
Estimated Year Administrative Cost	\$ 9,138,472
M/WBE Goal 21% of Administrative Cost	\$ 1,096,617

Total MBE 6%

Total African American:

Comm-Tec Building Services	1727 South Indiana Ave. Chicago IL
Corafran	400 W. 76 th Street Chicago, IL
Giving Essentials	4433 W. Touhy Avenue, Lincolnwood, IL
Insurance Review Service	30 No. LaSalle Suite 3908 Chicago, IL
Merchandise Distributors	6367 No. Broadway Chicago IL

Total WBE 6% :

Visions Concepts	18419 Clyde Ave. Lansing, IL 60438
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These percentages will be based on the retention amount, which has not yet been determined. Each identified firm is certified by the City of Chicago/Department of Purchases Contracts and Supplies. The identified firms are subject to change upon approval from the decision of Compliance and Vendor Services in the Procurement and Contracts Department without further Board approval.

LSC REVIEW: Local School Council approval is not applicable to this report.

FINANCIAL: Charge to Risk and Benefits Management: \$90,000,000 Fiscal Year: 2003

Budget Classification #: Charge to Sundry units, all operating funds, sundry programs, hospitalization insurance (object 5680).

GENERAL CONDITIONS:

Inspector General B Each party to the agreement shall acknowledge that, in accordance with 105 ILCS 5/34-13.1, the Inspector General of the Chicago Board of Education has the authority to conduct certain investigations and that the Inspector General shall have access to all information and personnel necessary to conduct those investigations.

Conflicts B The agreement shall not be legally binding on the Board if entered into in violation of the provisions of 105 ILCS 5/34-21.3 which restricts the employment of, or the letting of contracts to, former Board members during the one year period following expiration or other termination of their terms of office.

Indebtedness B The Board=s Indebtedness Policy adopted July 26, 1995 (95-0726-EX3), as amended from time to time, shall be incorporated into and made a part of the agreement.


Ethics B The Board=s Ethics Code adopted September 27, 1995 (95-0927-RU3), as amended from time to time, shall be incorporated into and made a part of the agreement.

Contingent Liability B The agreement shall contain the clause that any expenditure beyond the current fiscal year is deemed a contingent liability, subject to appropriation in the subsequent fiscal year budget(s).

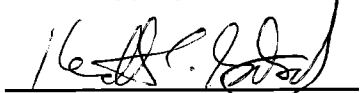
Approved for Consideration:


Acting Anita Rocha
Chief Purchasing Officer

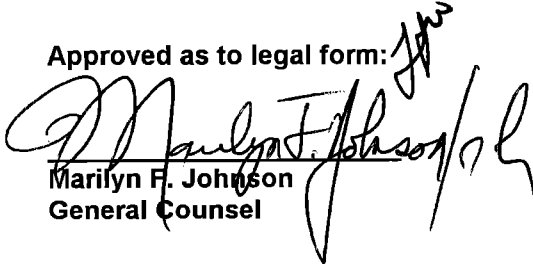
Approved:


Arne Duncan *BY PAID*
Chief Executive Officer

Within Appropriation:


Kenneth C. Gotsch
Chief Fiscal Officer

Approved as to legal form:


Marilyn F. Johnson
General Counsel