

**Request for Proposals: Actuarial and Related Services for
Health Benefits Programs
RFP # OHB08-1
Issued: January 28, 2008**

**ADDENDUM 1
Issued: February 27, 2008**

This Addendum incorporates certain general comments, general corrections to the RFP, and answers to questions posed during the optional pre-proposal conference held on February 11, 2008.

GENERAL

Verbal responses to questions at the optional Pre-Proposal Conference on February 11, 2008 are unofficial and are not binding. Only these written responses may be relied upon by offerors.

Participants at the Optional Pre-proposal Conference were required to register their attendance and to provide their business cards and fax numbers. A list of all attendees at the conference is enclosed for informational purposes.

General Changes to Released RFP:

1. Section 4.10 change to read:

Proposals Due	March 14, 2008
Notice of Intent to Award	April 4, 2008

2. Attachment Two – See attached document with corrections to this section.

Questions and Answers:

Questions from Pre-proposal Conference

1. Are all plan changes required to be legislated or does the plan have the ability to make changes, including retirees? What about contributions by employees?

The plan recommends plan changes and contributions, however, the legislature may have a final say.

2. In section 5.9 of the RFP; would this oral presentation be after negotiations? How many bidders will be involved in this process?

No.

3. Regarding the intent to award date; are negotiations actually going to be before March 21, 2008?

See revised timetable.

4. Regarding Attachment One, section III – Costs; are those costs to be submitted after negotiations are with the RFP bid?

The Commonwealth will request that finalist(s) provide cost data.

5. Should we still provide Attachment 2 for the subcontracts with the bid?

Yes, per this Addendum, it is revised to reflect percentages, of work not dollars.

6. What exactly is the time line for the up coming procurements that the actuary will be involved with?

To be determined.

12. Is the daily eligibility a full file replacement or just changes/updates?

Changes and updates.

13. How many years of historical eligibility will the system be required to hold? The proposal states that we should mirror the BES system but doesn't indicate how much eligibility that system holds.

Currently undefined.

14. Appendix 1 states that the Consultant will use claims data to "validate that value-based care management programs meet program requirements for disease/care management, patient advocacy, and other deliverables". Please confirm if the consultant would be getting separate disease/care management files to perform this task.

Yes.

15. Will the Consultant be taking over the current databases in place or would they be expected to build a new database? If taking over the databases, what is the level of documentation of the existing system? Does the Commonwealth also want the ability to access and manipulate information within the database directly?

Taking over, existing documentation level is maintained by current provider and is unknown. We are interested in your proposal.

16. The second bullet in Appendix 1 references that the TLC is not part of the BES system but may be at a later date. Please confirm whether the TLC data is a separate feed that would have to be accounted for, or if the TLC data not in the existing databases.

Yes, TLC is a separate feed.

17. 3.7 The Contractor may be required, as requested, to conduct up to two claims audits per year. Please share how many audits have been performed in the last 5 years to include vendor names and date of review.

Not relevant.

18. 3.8 The Contractor may be required, as requested, to conduct up to one on-site performance review per year of Contractors selected by the Department to administer parts of the benefits program. Please confirm how many on-site performance reviews have been performed in the last 5 years to include vendor names and date of review.

Not relevant.

19. The RFP requires firms providing actuarial services maintain Professional Liability/Errors and Omissions coverage with \$1,000,000/\$3,000,000 limits. The prevailing limits available to small actuarial consulting firms are \$1,000,000/\$2,000,000. Can the Department offer any flexibility with respect to the limits? Would the answer differ if the small firm is a subcontractor to a primary contractor whose policy has with substantially higher limits?

No, the limits within the RFP are required. The insurance coverage relates to the offeror of services (prime).

20. *Section 3.7: The Contractor may be required to conduct up to two statistically valid audits per year/ Attachment One; Section III (Costs), Line Item – B: For Tasks 3.1, 3.2, 3.7, 3.8 and 3.9, provide the Commonwealth with a projection of billing hours needed by professional class to complete the task for the Commonwealth. Please provide the administrator name and location (City and State) where claims are paid for the following self-funded plans:*

- a. COVA Care
- b. COVA HDHP
- c. Key Advantage with Extended Benefits
- d. Key Advantage 200
- e. Key Advantage 300

- f. Key Advantage 500
- g. TLC HDHP

Information is available on DHRM's website.

21. *Section 3.7: Audits must be statistically valid.* Please advise any predetermined confidence level (with precision) and/or sample size requirements or limitations required by the Commonwealth in performing this function.

This is not pre-determined, Offerors will provide recommendations.

22. Please advise if performance guarantees presently exist with any of the self-funded plan administrators. If so, please advise specifics, including auditing requirements and/or limitations (*i.e.*, required confidence level, minimum sample size, etc.).

Refer to RFPs available on DHRM's website.

23. A SWAM is interested in proposing services under a prime contractor, but is not currently certified with the Commonwealth. Will the Commonwealth consider qualification if the SWAM is currently pursuing the certification process, which may take longer than the RFP submission deadline of February 29, 2008?

No, only DMBE certified businesses at time of submission will be considered.

24. Section 6.2.3 says that "the Contractor shall deliver the required Actuarial Reports by September 15, 2008 and October 1, 2008..." but Section 8.2.1 says that the term of the contract is July 1, 2009 through June 30, 2011. Are the dates represented in Section 6.2.3 incorrect?

In section 6.2.3 change September 15, 2008 and October 1, 2008 to September 15, 2009 and October 1, 2009.

25. Section 3.1,
a. Are separate IBNRs calculated for active employees, retirees (pre-Medicare and Medicare eligible) and disabled employees?

IBNR is calculated for active, early retirees and Medicare.

- b. How many unique health vendors are there for each coverage?

This information is on DHRM's website.

- c. Is there a sample IBNR report you can provide which highlights what the Commonwealth expects?

Finalist will receive copies of previous actuarial reports.

26. Section 3.2,
- a. for the TLC program for localities is there one report for all five self funded plans or one for each plan?

Separate for each plan.

- b. Are separate IBNRs calculated for active employees, retirees (pre-Medicare and Medicare eligible) and disabled employees?

Active, early retiree and Medicare retiree.

- c. How many unique health vendors are there for each coverage?

See DHRM's website.

27. Section 3.4,

- a. It is understood that the Contractor must maintain, operate and enhance a claims and enrollment data base. Does the Commonwealth contract externally with a "data warehouse" manager such as Ingenix or MEDSTAT?

No.

- b. If not, would the Commonwealth entertain entering in to a contract with MEDSTAT, HDMS, Ingenix or any other data warehouse firm which would then be managed by the Contractor?

No.

- c. Please confirm that your current data base holds processed claims and enrollment data used for retrospective analysis, is not a transactional system and is not used in any way for processing transactions related to the Commonwealth's health plans.

Confirmed.

- d. Please confirm that Aon, as your current actuary, maintains the data base.

Confirmed.

- e. If the database is not a commercial "data warehouse", what is the data base software being used with the current data base (ORACLE, Microsoft SQL Server, MYSQL, DB2, etc.) and the version of that software?

Not relevant, unknown.

- f. What is the Operating System (UNIX, LINUX, WINDOWS, etc.) being used with the current data base and the version of the Operating System?

Unknown.

- g. How many years of data reside on the database? Is it your intent that this historical data be maintained for the period of this engagement, or is there a limit to the number of years of data to be retained?

Currently there is not a limit, we welcome all proposals.

- h. What is the current size in bytes of the database?

Unknown, will be part of negotiations.

- i. What are the data sources that feed the database?

Vendor/employee files.

- j. How do the data sources deliver data (e.g., FTP, CDs etc) and on what schedule? (Quarterly, monthly, more often?)

Weekly and bi-weekly, FTP.

- k. What size in terms of bytes were the most recent feeds from each of the data sources?

Unknown.

- l. Please provide list of tables and size of each table.

No.

- m. Do you wish to keep the same tables and table structures currently in use?

We welcome your proposal.

- n. Who would be the likely sources of WC, disability, DM and other data possibly to be added later?

Commonwealth and vendors.

- 28. Section 3.5, the Contractor is required to model program costs utilizing the Commonwealth's actual claims data. Will historical utilization reports and access to the current "data warehouse" be provided so that the Contractor can use historical experience to develop budgets, projections and plan design modifications?

Yes.

29. Sections 3.7 through 3.9, we have these questions:
- a. Has the frequency cycle of third party audits requested in the RFP been adhered to by the current consultant? Please provide copies of the most recent audit reports completed for the Commonwealth on each administrator.

Not relevant.

- b. The RFP indicates that audits will be conducted on a statistically valid basis? Is there interest (for the PBM audit) of considering an electronic approach which audits 100% of the claims experience over the specified audit time period?

Yes, we welcome proposals.

- c. Please provide a list of performance guarantees and penalties for each administrator subject to audit.

RFP's are on DHRM's website.

- d. Please provide a copy of the contract in force between the Commonwealth and each administrator.

RFP's are on DHRM's website.

- e. Does the Commonwealth maintain Flexible and Dependent Care Spending Accounts? If so, who is the vendor and is this benefit subject to audit?

Yes, see DHRM's website for vendor listings. All vendors are subject to audit.

30. Section 3.12, it is understood that the Contractor will perform OPEB analyses. Will the Contractor also advise the Commonwealth with respect to the performance of the life and disability plans with respect to rates and vendors?

No.

31. Please provide a list of all the third party software and versions used.

Not relevant.

32. Is there technical documentation that will aid in the installation of the system?

Not relevant.

33. How many users at the state will there be for the system? Will these be concurrent users?

Unknown at this time.

34. What is the average number of ad hoc reports required on an annual basis?

Historically, less than 50.

35. What is the size of the system and the size/class of the servers currently operating?

Unknown, hosted by current provider.

36. Should cost information for item 3.4 be included in the initial proposal?

No, finalists will be requested to provide this information.

37. Please confirm the Period of Contract does not begin until July 1, 2009. Does the state anticipate a new contractor would commence any work prior to July 1, 2009? (Page 1 of RFP)

Confirmed, work will begin July 1, 2009.

38. Please provide copies of the 2007-2008 renewal report and actuarial report for the State Employee Program and the Local Choice Program. (Tasks 3.1 and 3.2)

Finalist will be provided copies prior to contract initiation.

39. Does the State intend to use a specific health status risk adjustment tool to equalize plan risks? (Task 3.3)

Finalist will provide recommendations.

40. How often do carriers provide updates to the claims data base? Please describe the process. (Task 3.4)

This varies by provider, weekly and bi-weekly.

41. Does anyone besides the contractor currently have direct access to the data warehouse? (Task 3.4)

No.

42. Are the BES daily transactions in the form of summary files? Please describe how daily updates are received. (Task 3.4)

Yes, EFT.

43. Please describe the amount of data manipulation (cleansing, standardizing, removing transaction records, etc.) that is done by the current contractor in preparation of the claims database. (Task 3.4)

Unknown.

44. Is the operational audit (Task 3.8) done in conjunction with the claims audit (Task 3.7)? Please further describe the scope of the HIPAA audit (Task 3.9).

Usually, It is the responsibility of the Offeror to describe the audit.

45. Since cost information is supposed to be separate, does the state want bidders to respond to question C.3 in the questionnaire or cost proposal? (page 23 Task C.3)

Finalist will be asked to provide during negotiations.

46. Does this contract start of July 1, 2009, as stated in section 8.2.1 or July 1, 2008, since the first deliverable is in October of 2008 (section 6.2.3)?

Yes, please strike 2008 and replace with 2009.

47. If the contract begins July 1, 2009, why is an award being made so far in advance of the contract effective date?

Workload management within DHRM.

48. Please expand on the distinction between services requested in 3.6 and 3.10?

This is the difference between existing conditions and those that are proposed.

49. Approximately how much time does it take on a monthly basis to maintain the Health Care System outlined in Appendix 1?

Not relevant.

50. Is the system outlined in Appendix 1 currently working efficiently and able to produce reporting and all the required modeling?

Not relevant.

51. Section 8.14 regarding Transfer of Files states that: "If for any reason the Department decides to no longer contract with the Contractor, the Contractor agrees to transfer to the party designated by the Department, at no cost, all data, records, computer files, other files, and materials of any sort that were maintained for the Commonwealth. The Contractor agrees to assist the Department in understanding, using, and transferring all files and records, including those maintained in computer language." Is this a provision of the current consulting contract? Please confirm that "computer files" include ALL programming that supports the creation and maintenance of the Claims Data Base and Modeling System.

Yes.

52. With regard to Section 3.7 in the RFP, how does the Commonwealth define a claim audit? Would a single claim audit consist of an audit of all plans administered by a single payer (Anthem, Medco, Delta Dental, etc.) or would an audit be of a single benefit plan administered under either the Commonwealth of Virginia or Local Choice program?

Industry standards will prevail. Audits would be conducted on all plans administered by single payer.

53. The RFP states that changes from the pre-proposal conference will be released in an Addendum. Will questions from and answers to potential bidders also be included in the addendum?

Yes.

54. Who is the current consultant and how long has this firm been consulting to the State?

Aon is the current vendor.

55. Who was the prior consultant and for how long?

The previous consultant was Aon.

56. How much did the State pay to the consultant for CY07 consulting?

FY07 \$596,096.

57. Please provide a list of the SWaM contractors used by the current consultant indicating organization name, address, and actual dollars paid in CY07.

Not relevant to this procurement

58. In order to receive credit for the SWaM portion of the RFP evaluation, does the State require that the SWaM contractors be located in Virginia?

No only registered/certified by DMBE.

59. Does the current consultant provide all of the services listed in Appendix 1?

No, this is a new scope of services.

60. What is the current annual dollar value of the contract for the work contemplated in this RFP? What were the actual expenses for this work for 2007, 2006 and 2005 fiscal or calendar years? Who are the contract holders? Please provide a copy of the current contract.

FY 2007 \$596,096, Aon is the current contract holders and the current contract is on DHRM's website.

61. What subcontractors or partner vendors does the incumbent offer involve to deliver on the scope of services, including small, women and minority owned firms ?

Not relevant.

62. The requirement of the service to a firm with 50,000 employees. Since there are only two local employers (the Commonwealth of Virginia and the federal government) and one national company headquartered in Virginia (Smithfield Foods) with this number of employees, we would like to have more discussion of this requirement's role in encouraging and allowing competition for qualified firms. If the Offeror partners or subcontracts certain components to a firm or contractor who has contracted with a firm with over 50,000 employees, does that satisfy this requirement ?

Partnerships and collaboration ventures are allowed.

63. What is the current number of individuals involved by the incumbent contract holder(s) ? How many people are 100% dedicated to the Commonwealth, if any ?

Not relevant to this procurement.

64. Attachment Two asks for plans for use of SWaM businesses, both respect to "planned involvement" and "planned dollars." If specific subcontractors are proposed for specific tasks, the requested information will be equivalent to a cost proposal for those tasks. However, Attachment One indicated that "[c]ost related information ... are not to be submitted with each proposal package." Could you clarify the Department's intent?

See revised SWaM contracting plan.

**Vendors in Attendance of the Optional Pre-Proposal Conference
Held Monday, February 11, 2008**

Aon Consulting, Inc.
Buck Consultants
Cavanaugh Macdonald Consulting, LLC
Deloitte Consulting, LLP
Hay Group, LLP
Mercer Consulting
Milliman
Rutherford Benefit Services
Barbara V. Scheil and Associates, Ltd.
The Segal Company
Wachovia Insurance Services

RFP # OHB08-1 Actuarial and Related Services for Health Benefits Programs

Optional Pre-Proposal Conference
 Monday, February 11, 2008; 10:00 a.m.

Sign In Sheet

FIRM	PRINT NAME	SIGNATURE
1. AON	1. PAUL MACK	1.
2. AON	2. NANCY SKINNER	2.
3. Covington Medford	3. Richard Ward	3.
4. Holland Nguyen	4. Holland Nguyen	4.
5. Hay Group	5. Ky Li	5.
6. Mercer	6. BARB BAILEY	6.
7. Buck Consultants	7. Rob Gota	7.
8. Wachovia Insurance Services	8. Claire Holbrook	8.
9. Wachovia Ins. Svcs	9. Juliet D. White	9.
10. WIS Kerry Smith	10. Kerry Smith	10.
11. Deloitte Consulting	11. Patrick Pechar	11.
12. Deloitte Consulting	12. Peter Rowland	12.
13. Milliman	13. Benjamin Rayburn	13.
14. BVS + Assoc.	14. Barbara Scheel	14.
15. Rutherford	15. Stewart Flippin	15.
16.	16.	16.
17.	17.	17.
18.	18.	18.
19.	19.	19.
20.	20.	20.

ATTACHMENT TWO

Small Business Subcontracting Plan

Definitions

Small Business: "Small business " means an independently owned and operated business which, together with affiliates, has 250 or fewer employees, or average annual gross receipts of \$10 million or less averaged over the previous three years. Note: This shall not exclude DMBE-certified women- and minority-owned businesses when they have received DMBE small business certification.

Women-Owned Business: Women-owned business means a business concern that is at least 51% owned by one or more women who are citizens of the United States or non-citizens who are in full compliance with United States immigration law, or in the case of a corporation, partnership or limited liability company or other entity, at least 51% of the equity ownership interest is owned by one or more women who are citizens of the United States or non-citizens who are in full compliance with United States immigration law, and both the management and daily business operations are controlled by one or more women who are citizens of the United States or non-citizens who are in full compliance with the United States immigration law.

Minority-Owned Business: Minority-owned business means a business concern that is at least 51% owned by one or more minority individuals or in the case of a corporation, partnership or limited liability company or other entity, at least 51% of the equity ownership interest in the corporation, partnership, or limited liability company or other entity is owned by one or more minority individuals and both the management and daily business operations are controlled by one or more minority individuals.

All small businesses must be certified by the Commonwealth of Virginia, Department of Minority Business Enterprise (DMBE) by the due date of the solicitation to participate in the SWAM program. Certification applications are available through DMBE online at www.dmbe.virginia.gov (Customer Service).

Offeror Name: _____

Preparer Name: _____ Date: _____

Instructions

- A. If you are certified by the Department of Minority Business Enterprise (DMBE) as a small business, complete only Section A of this form. This shall not exclude DMBE-certified women-owned and minority-owned businesses when they have received DMBE small business certification.

B. If you are not a DMBE-certified small business, complete Section B of this form. For the offeror to receive credit for the small business subcontracting plan evaluation criteria, the offeror shall identify the portions of the contract that will be subcontracted to DMBE-certified small business in this section. Points will be assigned based on each offeror's proposed subcontracting expenditures with DMBE certified small businesses for the initial contract period as indicated in Section B in relation to the offeror's total price.

Section A

If your firm is certified by the Department of Minority Business Enterprise (DMBE), are you certified as a **(check only one below)**:

- Small Business
- Small and Women-owned Business
- Small and Minority-owned Business

Certification number: _____ Certification Date: _____

Section B

Populate the table below to show your firm's plans for utilization of DMBE-certified small businesses in the performance of this contract. This shall not exclude DMBE-certified women-owned and minority-owned businesses when they have received the DMBE small business certification. Include plans to utilize small businesses as part of joint ventures, partnerships, subcontractors, suppliers, etc.

C. Plans for Utilization of DMBE-Certified Small Businesses for this Procurement

Small Business Name & Address DMBE Certificate #	Status if Small Business is also: Women (W), Minority (M)	Contact Person, Telephone & Email	Type of Goods and/or Services	Planned Involvement During Initial Period of the Contract	Planned Contract SWAM Percentage During Initial Period of the Contract

Totals %					