DATE: October 30, 2009

TO: All Proposers

FROM: Delores R. Pettee

RE: Actuarial Services For Hilltop – RFP-BC-20638-P

ADDENDUM #1

Page 1 of 3

The following amends the above referenced RFP documents. Receipt of this addendum must be acknowledged by completing the enclosed "Acknowledgement of Receipt of Addenda" Form and returning it along with your proposal.

The due date and time for the Technical Proposals to be submitted to the University remains the same, Tuesday, November 24, 2009 by 2:00 p.m. to the issuing office.

A. In Section 2, “UMBC Requirements/Scope of Services”, DELETE the entire section and REPLACE with the attached revised Section 2.

B. In Section 3, Article 4 on page 22, Item 3.4.2.1,

1. Item (i) DELETE 2.2.1.A and REPLACE with “2.2.1”;

2. Item (i) DELETE the sentence “This section will be included in the financial evaluation phase”.

3. Below Item (i) DELETE the sentence “Sections 2.2.2A and 2.2.2.B are Optional Services that will be used on an as-needed basis and will therefore not be considered in the financial evaluation.”

4. Item (ii) DELETE 2.2.2.A and REPLACE with “2.2.3”.

5. Item (iii) DELETE 2.2.2.B and REPLACE with “2.2.4”.

6. In paragraph #2 of Item (iii), in the sentence “The approximate hours in Sections 2.2.2.A and 2.2.2.B...” REPLACE the section references with “2.2.3” and “2.2.4” respectively.
C. In Section 3, Article 5, Item 3.5.3.1, **DELETE** the sentence “The costs for the Optional Services will not be considered in the pricing evaluation”. **REPLACE** with the sentence “**The University will be evaluating the total cost for this contract including the hourly rates.**”

D. Appendix C, Price Proposal, **REPLACE** the entire Appendix with the attached “**revised Price Proposal.**”

Note: The Sample Price Proposal is attached here for information purposes only. The official Price Proposal will be sent via Addendum to those vendors that obtain 75% or better on the technical evaluation after the Second Phase Evaluation.

Enclosures: Revised Section 2
Revised Sample Price Proposal Form
Acknowledgement of Receipt of Addenda Form

Cc: Procurement File

END OF ADDENDUM #1 DATED 10/30/09

(A copy of this Addendum with enclosures posted on eBid Board on 10/30/09)
(Originals were not mailed via U.S. Mail)
RFP #: BC-20638-P

PROPOSAL DUE DATE: TUESDAY, NOVEMBER 24, 2009

PROPOSAL FOR: ACTUARIAL SERVICES FOR HILTOP

NAME OF BIDDER: ________________________________

ACKNOWLEDGEMENT OF RECEIPT OF ADDENDA

The undersigned, hereby acknowledges the receipt of the following addenda:

Addendum No. ___ dated _______

Addendum No. ___ dated _______

Addendum No. ___ dated _______

Addendum No. ___ dated _______

Addendum No. ___ dated _______

As stated in this Addendum, this form must be completed and returned along with your Proposal.

________________________________________
Signature

________________________________________
Printed Name

________________________________________
Title

________________________________________
Date

END OF FORM
SECTION 2: UMBC REQUIREMENTS/SCOPE OF SERVICES

2.1 PURPOSE OF THE ENGAGEMENT. Services of an actuarial firm are required to verify and/or validate the mathematical computations and statistical analyses that will be done jointly by Hilltop staff. For the HealthChoice Program, the current rate methodology uses a mixture of the ACG risk adjustment methodology and rate cells that are based upon the demographic characteristics of the client. Clients with more than six (6) months of eligibility are assigned to a risk adjusted rate cell based upon an analysis of their inpatient and outpatient claims. New clients and clients with less than six (6) months of eligibility are assigned to demographic rate cells using their age, sex, and the program under which they gained Medicaid eligibility. The PAC Program also incorporates ACG risk adjustment methodology, but it is calculated at the MCO level and not the individual level.

2.2 SCOPE OF SERVICES. The services of an actuary are required to compute and certify a range of rates for both the HealthChoice and PAC programs under the existing methodology for CY 2011 and beyond. In the event of a new managed long term care program, a new rate methodology will be developed in conjunction with Hilltop.

All of the requirements below are “MANDATORY”. Failure to meet a mandatory requirement shall disqualify a proposal and it shall not be considered. Your technical score will be based on your ability to meet or exceed the requirements. This can only be evaluated through your full explanation of your capabilities to perform the requirement. Therefore, you are strongly urged to reply to each item in detail. The vendor must indicate their ability to meet each requirement below by checking the appropriate “Yes” or “No” line, in addition to elaborating through comments and clarifications in the additional space provided or on a separate, well-outlined appendix.

The successful firm will be required to perform the following tasks under this contract.

2.2.1 HealthChoice Rates

Services to be performed in the development of HealthChoice Rates.

a. Revisions to prior years rates for specific change:
   i. Revision to the Calendar Year (CY10) rate schedule to reflect mid-year adjustments by HSCRC for inpatient and outpatient hospital rate.

<table>
<thead>
<tr>
<th>Yes_____</th>
<th>No_____</th>
</tr>
</thead>
</table>

   ii. Revision to the CY10 rate schedule to reflect mid-year adjustments as required by HealthChoice Regulations.

<table>
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<tr>
<th>Yes_____</th>
<th>No_____</th>
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</table>
b. Development of actuarially sound CY 2011 HealthChoice Rate Range

iii. Validation of CY08 base PMPM’s developed from health plans’ submitted HealthChoice Financial Monitoring Reports (referred to as “HFMRs”*) including review of adjustments made by independent auditors and actuaries evaluating incurred but not reported claim reserves and review of adjustments made by the Hilltop.

Yes______ No______

iv. Development of managed health care trend estimates and administrative cost inflation estimates including:

Analysis of HSCRC hospital data, encounter hospital, physician, and pharmacy data, year-over-year HFMR data by category of service, and trend information from other sources (DOI filings, neighboring trends in other states, CPI, PPI, macro-economic indices, commercial health care marketplace indicators, etc.). For entire trend data period, incorporation of ‘claims lag’ effects, where appropriate; nullification of programmatic changes; separation of encounter reporting improvement effects; separate identification of demographic shifts; aging and morbidity effects, where necessary; and other such adjustments necessary to estimate pure medical inflation not affected by other factors (normalized).

Yes______ No______

v. For the time period spanning the base data year to the contract year, evaluation and development of specific adjustments to be applied to the CY08 financial base (for example, programmatic changes, benefit carve outs, existing efficiency adjustments)

Yes______ No______

vi. Development of loading assumptions for administration, profit, and risk contingency that stay consistent with the State’s goals for CY11

Yes______ No______

vii. Development of relational modeling adjustments for factors like:
- Changes in the version of JHU’s ACG model to be used for categorizing health plan enrollees
- Encounter data reporting improvement
- Aging and morbidity effects outside of the risk cells structure
- Smoothed impacts on health plan revenue streams
- Other standard issues addressed in prior years

Yes______ No______
viii. Review of consistency of adjustments with the RAC assignment methodology applied by Hilltop
   Yes______ No______

ix. Review of regional analyses performed by Hilltop
   Yes______ No______

x. Providing the mid-year and calendar year rate certification letters for CMS and health plans
   Yes______ No______

xi. Providing the methodology document and CRCS tables for Hilltop
   Yes______ No______

xii. Development of materials for two presentations (1) preliminary trends and (2) final trends and rate development to the health plans
    Yes______ No______

xiii. On-site trips by two actuarial team members for each of two presentations to the health plans
     Yes______ No______

ixv. Project management and periodic conference calls with Hilltop
     Yes______ No______

xv. Incorporate impact of introduction of new drugs, removal of patent protection from existing drugs into pharmacy trend development
    Yes______ No______

xvi. Initial trend factors will include HSCRC and encounter data for dates of service through December 2009, and more current data as available
     Yes______ No______

xvii. Peer review of analysis performed by Hilltop in response to issues raised by MCOs, such as HealthChoice expansion and substance abuse
      Yes______ No______
2.2.2. PAC Rates

Services to be performed in the development of PAC Rates

a. Revisions to prior years rates for specific change:
   i. Revision to the CY10 rate schedule to reflect mid-year adjustments by HSCRC outpatient hospital rate.
      Yes_____  No_____

   ii. Revision to the CY10 rate schedule to reflect mid-year adjustments as required by regulations.
       Yes_____  No_____

b. Development of actuarially sound CY 2011 PAC rate range
   iii. Validation of CY08 base PMPM’s developed from health plans’ submitted PAC Financial Monitoring Reports (referred to as “PFMRs”) including review of adjustments made by independent auditors and actuaries evaluating incurred but not reported claim reserves and review of adjustments made by the Hilltop.
       Yes_____  No_____

iv. Development of managed health care trend estimates and administrative cost inflation estimates (as needed, distinct from HealthChoice) including:

   Analysis of encounter data, year-over-year PFMR data by category of service, and trend information from other sources (DOI filings, neighboring trends in other states, CPI, PPI, macro-economic indices, commercial health care marketplace indicators, etc.). For entire trend data period, incorporation of ‘claims lag’ effects, where appropriate; nullification of programmatic changes; separation of encounter reporting improvement effects; separate identification of demographic shifts; aging and morbidity effects, where necessary; and other such adjustments necessary to estimate pure medical inflation not affected by other factors (normalized).
       Yes_____  No_____  

v. For the time period spanning the base data year to the contract year, evaluation and development of specific adjustments to be applied to the CY08 financial base (for example, programmatic changes)
   Yes_____  No_____
vi. Development of loading assumptions for administration, profit, and risk contingency that stay consistent with the State's goals for CY11
   Yes______  No______

vii. Development of relational modeling adjustments for factors (as needed)
    Yes______  No______

viii. Review of consistency of risk adjustment methodology applied by Hilltop
      Yes______  No______

ix. Providing the mid-year and calendar year rate certification letters for CMS and health plans
    Yes______  No______

x. Providing the methodology document and CRCS tables for Hilltop
   Yes______  No______

xi. Two on-site trips by two actuarial team members for presentations to the health plans to be in conjunction with HealthChoice on-site trips [refer to Section 2.2.1.b.xliii]
    Yes______  No______

xii. Project management and periodic conference calls with Hilltop
     Yes______  No______

xiii. Incorporate impact of introduction of new drugs, removal of patent protection from existing drugs into pharmacy trend development
     Yes______  No______

ixv. Encounter data for dates of service through March 2010, and more current data as available
     Yes______  No______
Peer review of analysis performed by Hilltop in response to issues raised by MCOs, such as HealthChoice expansion impact on the PAC population and substance abuse.

Yes______  No______

2.2.3 Additional Services to be performed in the development of either HealthChoice or PAC Rates on an as-needed basis.

a. Re-work due to errors in or modifications to data provided to actuary.

Yes______  No______

b. Making adjustments for shifts in methodologies by HSCRC. This includes but is not limited to reviews of HSCRC’s approach to formalizing the impact of Medicaid FFS DRG day limits on Medicaid MCO costs and changes to the outpatient unit cost rate update process.

Yes______  No______

c. Analyses of and adjustments to data needed to rate setting base to comply with any new changes to the existing CMS checklist on any new Federal regulations.

Yes______  No______

d. Estimation of new health plan specific efficiency adjustments not currently implemented to reflect the State’s expectations of improvement in the health care delivery system of each plan.

Yes______  No______

e. Modifications to existing risk adjustment methodologies.

Yes______  No______

f. New types of analyses not addressed in prior years (a past example would be addressing better matching of payments to low birth premature babies health costs incurred by health plans).

Yes______  No______

g. Any methodological changes needed to revise rate schedules after the final on-site rates presentation to the MCOs.

Yes______  No______
h. Any additional on-site meetings with Hilltop staff and/or health plans over the number planned for above
   Yes_____  No_____  

i. Any additional research or analysis to address unanticipated health plan issues
   Yes_____  No_____  

j. And, as with any project, data received late than scheduled but with no corresponding flexibility in deliverable dates of results would necessitate the use of additional and/or more senior actuarial staff and result in higher fees. In other words, non-timeliness in transmission of data files to actuary would result in increased analysis costs incurred by actuary
   Yes_____  No_____  

k. Assist as needed the awarded new contractor to maintain a smooth transition of actuarial support due to the change in contracted firms.
   Yes_____  No_____  

2.2.4 Services to be performed in the development of Managed Long Term Care Rates on an as-needed basis.

a. Review, evaluate and assist as needed in the overall development of the prospective payment methodology for managed Long Term Care rates.
   Yes_____  No_____  

b. Review, evaluate and recommend modifications to the methodology (where appropriate) used to derive the base year (2008) Fee-for-services (FFS) equivalency cost for waiver eligible populations.
   i. Calculate the base year PMPM cost for clients that were the defined
      Yes_____  No_____  

   ii. Compute base year PMPM cost for clients that were assigned to risk adjusted groups as appropriate.
      Yes_____  No_____  

c. Review, evaluate and recommend modifications to the methodology used to project the base year Fee for Service equivalency payments forward to derive the capitation rates for waiver implementation years, including:
   i. Calculate the annual inflation factors;
      Yes_____  No_____  

RFP-#BC20638-P  Section 2 (REVISED -10/30/09, Page 7)  Replaces Pages 7 to 16
ii. Computation of programmatic changes to base rates as appropriate;
   Yes_____ No_____

iii. Evaluation for risk sharing and stop-loss (if needed) provisions, with different levels of risk sharing between MCOs and DHMH as the reinsurer;
   Yes_____ No_____

iv. Computation of final managed care savings adjustments to rates as appropriate;
   Yes_____ No_____

v. Evaluation of geographic regions that could be used to reimburse MCOs;
   Yes_____ No_____

vi. Assist in the preparation of a data book of Medicaid expenditures and utilization to be provided to the potential and existing MCOs;
   Yes_____ No_____

vii. Assist in the development of risk assessment measurement tools as directed by Hilltop;
   Yes_____ No_____

viii. Providing the rate certification letter for CMS and health plans;
   Yes_____ No_____

ix. Providing the methodology document and CRCS tables for the Hilltop;
   Yes_____ No_____

x. Assist in the development of a rate methodology that does not rely on historical Medicaid FFS data for Calendar Year 2014 rate setting and beyond;
   Yes_____ No_____
xi. On-site trips by team members for presentations to the health plans as needed.
   Yes______ No______

   d. Evaluate, advise and assist in the calculation of relative value weights used in
   the final MCO capitation rate calculations.
   i. Adjust the relative values for each rate cell for predicted changes in the
      Medicaid caseload;
      Yes______ No______

   ii. Revise relative values if appropriate to maintain stability in the rate cells
        from year to year.
        Yes______ No______

   e. Review, evaluate and recommend modifications to the proposed financial
   reporting and tracking system for MCOs.
   i. Review the financial reporting format and suggest modifications at the
      appropriate time;
      Yes______ No______

   ii. Evaluate methodology to access the financial position of participating
        MCOs;
        Yes______ No______

   iii. Recommend procedures and methods to be used to evaluate the
        processes used by the MCOs in the preparation of the financial reports.
        Yes______ No______

   iv. Recommend procedures to ascertain MCO profit/loss in the Medicare
        and Medicaid programs for MCO enrollees
        Yes______ No______

   f. Assist in the evaluation of the impact of utilizing encounter and/or other data
   utilized to assign clients to risk adjusted rate cells.
   i. Assist in the evaluation of the impact of encounter versus Fee for Service
      data on the distribution of clients across risk adjusted rate cells.
      Yes______ No______
ii. Assist in the evaluation of the completeness of encounter and/or other data sources (such as functional assessment data, MDS, and related sources).
   Yes____   No_____

iii. Assist in the study of the impact of any missing encounter and/or other data sources.
    Yes____   No_____

iv. Develop a methodology to incorporate encounter and/or other data sources in trend factor calculations.
    Yes____   No_____

Assist in ad hoc analyses to evaluate the impact of programmatic changes.

i. Utilize financial reports to evaluate the impact of changes on the MCO's financial performance.
   Yes____   No_____

ii. Perform analyses of Fee for Service data to determine the impact of changes on capitation rates.
    Yes____   No_____

iii. Prepare and evaluate financial projections of program changes.
    Yes____   No_____

2.3 Assignment of Personnel

The University reserves the right to approve all personnel assigned to this contract. Once the contract has been awarded, the assigned personnel may not be changed without prior written approval of the University. However, the University reserves the right to determine that any personnel assigned to the contract are unqualified and to require a replacement within 72 hours of such a determination. An Amendment to the contract will be issued for changes in personnel.
APPENDIX C

PROPOSAL NO.: RFP# BC26038-P
PRICE PROPOSAL DUE DATE: January 22, 2010 by 2:00 p.m.
PROPOSAL FOR: Actuarial Services for Hilltop

PROPOSER: 

Federal Identification Number/Social Security Number: 

SAMPLE PRICE PROPOSAL

Ms. Delores R. Pertee
Contract Administrator
Department of Procurement
University of Maryland Baltimore County (UMBC)
Administration Building, Room 301
1000 Hilltop Circle
Baltimore, MD 21250

Dear Ms. Pertee:

The undersigned hereby submits the Price Proposal as set forth in RFP# BC26038-P dated October 27, 2009 and the following subsequent addenda:

Addendum 1 dated 10/30/09
Addendum __________________ dated __________
Addendum __________________ dated __________

We confirm that this Price Proposal is based on the Requirements per the RFP and any subsequent addenda as noted above.

Having received clarification on all matters upon which any doubt arose, the undersigned proposes to complete the work for the work as described in this RFP and subsequent addenda as noted above. By signing and submitting this response, undersigned hereby agrees to all the terms and conditions of this RFP including any issued addenda. Proposers are cautioned to verify their final proposals prior to submission, as UMBC cannot be responsible for Proposer’s errors or omissions. Any price proposal that has been accepted by UMBC may not be withdrawn by the vendor.

The Price Proposal will be issued via Addendum after the Second Phase Technical Evaluation only to those firms that receive 75% or better of the technical points available and moving on in the procurement process.

1. CONSULTANT FIXED FEE: Quote fixed fee to provide scope of services per Sections 2.2.1 and 2.2.2 of the RFP documents (excluding allowable reimbursables).

Complete the following (in words and figures):

_____________________________________ Dollars($__________________ )
2. **CONSULTANT FEES:** Quote fee to provide scope of services per Section 2.2.3 "HealthChoice Rates and PAC Rates" of the RFP documents (excluding allowable reimbursables). For the basis of evaluation, it is anticipated that the total number of hours required will be approximately 100 hours.

\[
100 \text{ hours} \times \$\text{____________} / \text{hour} = \$\text{____________}
\]

State the amount in words:

__________________________________________________________

3. **CONSULTANT FEE:** Quote fee to provide scope of services per Section 2.2.4 “Services to be Performed in the Development of Managed Long Term Care” of the RFP documents (excluding allowable reimbursables). For the basis of evaluation, it is anticipated that the total number of hours required will be approximately 400 hours.

\[
400 \text{ hours} \times \$\text{____________} / \text{hour} = \$\text{____________}
\]

State the amount in words:

__________________________________________________________

4. Total for all three (3) sections (in words and figures)

__________________________________________________________ Dollars ($____________)

We understand that by submitting a proposal we are agreeing to all of the terms and conditions included in the RFP documents, and that the Bid/Proposal Affidavit submitted as part of the original technical proposal remains in effect. The evaluation and subsequent final ranking of proposals will be in accordance of the RFP documents. We understand that technical weighs greater than cost.

We further understand that this Price Proposal includes all costs associated with the provision of the Services per this RFP, including a not-to-exceed amount for the allowable reimbursables per the RFP. We understand that the University reserves the right to award a contract(s) for all items, or any parts thereof, as set forth in detail under the information furnished in the RFP document.

We further confirm that the key personnel named within our Technical Proposal will be assigned to the UMBC Contract for the duration of this contract. We understand that no changes in this assignment will be allowed without written authorization from the University via contract amendment prior to such changes being made.

(Signatures should be placed on following page.)
The Proposer represents, and it is a condition precedent to acceptance of this proposal, that the Proposer has not been a party to any agreement to submit a fixed or uniform price. Sign where applicable below.

A. INDIVIDUAL PRINCIPAL

In Presence of Witness: ___________________________  FIRM NAME ________________________________

ADDRESS__________________________________________

__________________________________________________

TELEPHONE NO._____________________________________  SIGNED___________________________________

Printed Name______________________________  Title______________________________

Date____________________________________________

B. CO-PARTNERSHIP PRINCIPAL

(Name of Co-Partnership)

ADDRESS________________________________________

TELEPHONE NO.___________________________________

In Presence of Witness:

____________________________________________________ as to BY_________________________ (Partner)

Printed Name______________________________

____________________________________________________ as to BY_________________________ (Partner)

Printed Name______________________________

____________________________________________________ as to BY_________________________ (Partner)

DATE______________________________

C. CORPORATE PRINCIPAL

Printed Name______________________________

_________________________________________________________ (Name of Corporation)

DATE______________________________

ADDRESS________________________________________

TELEPHONE NO.___________________________________
Attest:

[Printed Name of Corporate (or Assistant Corporate) Secretary]

[Corporate (or Assistant Corporate) Secretary Signature for Identification]

BY:

________________________________________
Signature of Officer and Title

________________________________________
Printed Name

________________________________________
Title