

DATE: October 30, 2009
TO: All Proposers
FROM: Delores R. Pertee
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"; **DELETE** "2.2.1B" and **REPLACE** with "2.2.2".
 - 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 2.2.2B 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 HILLTOP
NAME OF BIDDER: _____

ACKNOWLEDGEMENT OF RECEIPT OF ADDENDA

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

- Addendum No. 1 dated 10/30/09
- 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.

Yes _____ No _____

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

Yes _____ No _____

- 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.xiii]
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 _____

xv. 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. Compute 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. Compute the annual inflation factors;
Yes _____ No _____

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 assess 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 _____

g. 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.

- 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 hours x \$ _____ / hour = \$ _____

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 hours x \$ _____ / hour = \$ _____

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 _____
In Presence of Witness: TELEPHONE NO. _____
_____ 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