

# NDPERS SPECIAL BOARD

## MEETING

### Agenda

**Bismarck Location:**  
ND Association of Counties  
1661 Capitol Way  
**Fargo Location:**  
Sanford Health Plan  
1749 38<sup>th</sup> Street South

**Friday, August 3, 2018**

**Time: 8:15 AM**

#### **I. VENDOR INTERVIEWS**

- A. 8:20 to 8:35 Review of Proposals – Bryan (Information) \*Executive Session
- B. 8:35 to 9:15 FlexComp Vendor A\*\* Executive Session
  - a) Presentation (20 minutes)
  - b) Questions/Answers (20 minutes)
- C. 9:20 to 10:00 FlexComp Vendor B\*\* Executive Session
  - a) Presentation (20 minutes)
  - b) Questions/Answers (20 minutes)
- D. 10:05 to 10:45 FlexComp Vendor C\*\* Executive Session
  - a) Presentation (20 minutes)
  - b) Questions/Answers (20 minutes)
- E. 10:50 Discussion/vendor selection – Scott (Board Action) \*Executive Session

#### **II. GROUP INSURANCE**

- A. Health Plan Draft RFP – Bryan (Information)
- B. OPEB Results (15 minutes) – Bryan & Bolton Partners (Board Action)
- C. Legislation – Scott (Information)

\*Executive Session pursuant to NDCC §44-04-19.1(9) and §44-04-19.2 to discuss negotiating strategy or provide negotiating instructions to its attorney or other negotiator. (Motion is necessary)

\*\* Executive Session pursuant to NDCC §§ 44-04-17.1(2) and (5), 44-04-18.4(6), and 44-04-19.2(1) and (6) to hear and discuss oral presentations regarding bids or proposals received by a public entity in response to a request for proposals and to sequester all competitors in a competitive selection or hiring process from that portion of a public meeting wherein presentations are heard or interviews are conducted. (Motion is necessary)

Any individual requiring an auxiliary aid or service must contact the NDPERS ADA Coordinator at 328-3900, at least 5 business days before the scheduled meeting.

## **FlexComp Vendor Interview**

**Executive Session material  
will be sent out under  
separate cover.**



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# Memorandum

**TO:** NDPERS Board

**FROM:** Bryan & Scott

**DATE:** August 3, 2018

**SUBJECT:** Health Plan RFP

NDPERS staff along with Deloitte Consulting continue to work on the health plan request for proposals to have it ready in case the Board chooses to go out to bid. The following is a draft of the timeline:

Activity	Date/Time (All Times in CST)
NDPERS publishes Request for Proposals (RFP)	September 24, 2018
Vendor Conference	October 17, 2018
Vendor questions (in writing) due	October 24, 2018 (5 pm)
NDPERS distributes answers to Vendors' questions	November 9, 2018
<b>Proposals due</b>	<b>November 26, 2018 (5 pm CST)</b>
Finalist presentations (if requested)	Jan/Feb 2019
NDPERS notifies finalist of intent to negotiate	Feb 2019
Contractor and NDPERS complete negotiations	Feb/March 2019
Contractor and NDPERS begin implementation	March 2019
Contractor(s) begins providing services	July 1, 2019

The RFP is for both fully-insured and self-insured arrangements. The NDPERS Board will determine which funding approach it will implement based on the RFP results.

Attached is the draft general RFP and Appendix C1-C3. Respondents would fill out the appropriate appendix depending on which plan they are bidding on.

Appendix C1 is the Insured Medical and Pharmacy questionnaire.

Appendix C2 is the Self-Insured Medical questionnaire.

Appendix C3 is the Self-Insured Pharmacy questionnaire.

If you have any additions or questions we will be available at the NDPERS Board meeting.



# Request for Proposal

## Group Medical and Prescription Drug Coverage

October 1, 2018

**Proposals Due:  
By 5:00 p.m. CST  
(Date)**



## **Key Information**

### **Objective**

North Dakota Public Employees Retirement System (“NDPERS”) is soliciting proposals for the insurance and/or administration of its employee/retiree medical and prescription drug insurance plan. Proposals will be accepted from administrative/insurance companies (“Vendors”) that are capable of offering a statewide provider network, utilization management, disease management, wellness program and pharmacy benefit manager services along with other related services. The contract to be awarded is a multi-year arrangement beginning (July 1, 2019) and ending (June 30, 2021).

This RFP is requesting proposals for both insured and self-insured arrangements. The NDPERS Board will determine which funding approach it will implement based on the results of the RFP (See Section II of this RFP for further detail). See also Appendix C1 (fully insured medical and pharmacy), Appendix C2 (self-insured medical), and Appendix C3 (self-insured carve-out pharmacy).

### **Background**

NDPERS is responsible for the administration of the State of North Dakota’s Retirement, Health, Life, Deferred Compensation, FlexComp Employee Assistance Program (EAP), and Retiree Health Insurance Credit programs. In addition, cities, counties, schools and other political subdivisions of the state participate at their option. NDPERS also administers three voluntary insurance programs: group Dental, Vision, and Long-term care programs. Approximately 23,000 active employees and 11,000 retirees are eligible to participate in these plans.

NDPERS reserves the right to select the health plan proposals that best fit its needs and the needs of its eligible employees/retirees. NDPERS has retained Deloitte Consulting LLP (“Deloitte Consulting”) to assist with the RFP process.

Currently, Sanford Health Plan (SHP) insures the medical and prescription drug plan under a fully-insured arrangement. Express Scripts Incorporated (ESI) is Sanford’s PBM partner (which will transition to OptumRx on January 1, 2019).

In determining which bid, if any, will best serve the interests of eligible employees/retirees and the state, the NDPERS and its Board shall give adequate consideration to the following factors:

1. The economy to be affected.
2. The ease of administration.
3. The adequacy of the coverages.
4. The financial position and experience of the carrier, with special emphasis as to its solvency.
5. The reputation of the carrier and any other information that is available tending to show past experience with the carrier in matters of claim settlement, underwriting, and services.
6. The board may establish a self-insured plan only if it is determined to be less costly than the lowest bid submitted by a carrier for underwriting the plan with equivalent contract benefits
7. Multi-year, guaranteed premium/fees will be given special consideration.

The successful bidder of this RFP for fully insured coverage is eligible to have the initial term of this contract extended for two 2 year periods (2021-2023 & 2023-2025) at the option of the NDPERS Board (see Section III in this RFP for renewal conditions).

A self-insured contract (bundled or unbundled with PBM) will be awarded for 2 years with a renewal option for one additional 2 year period. Pursuant to the requirements in 54-52.1-04.2 NDCC a self-insured arrangement must be rebid at least every other biennium.

### **Proposed Timetable**

The timeline is provided below for informational purposes. NDPERS reserves the right to change the dates. Every effort will be made to notify Vendors of changes to the proposed timeline.

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Vendor(s) and NDPERS complete negotiations	Feb/March 2019
Vendor(s) and NDPERS begin implementation	March 2019
Vendor(s) begins providing services	July 1, 2019

### **RFP Coordinator Contact**

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50 South 6<sup>th</sup> Street  
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Minneapolis, MN 55402  
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### **Note:**

*From the date of issuance until the announcement of the finalist(s), Vendors may contact only the RFP Coordinator. All correspondence and questions must be submitted in writing via e-mail to the RFP Coordinator in accordance with the timeline set forth in this RFP. NDPERS personnel are not authorized to discuss this RFP with Vendors; doing so may result in disqualification. Vendors may continue to communicate with NDPERS staff regarding other relevant business matters.*



\*A vendors' conference will be held in Bismarck on October 17, 2018 at **the North Dakota State Capitol Building – Fort Union Room 1:00 – 3:00 p.m.** or until all questions have been submitted. Bidders may attend in person or call in to **701-328-7950** the day of the conference. The phone number will be activated at 12:55 p.m. central time. Anyone calling in must identify themselves for everyone in the room. Expenses incurred by bidders to participate in the bidders' conference, either in person or by voice, are the responsibility of the bidder and will, under no circumstances, be reimbursed by NDPERS. Those who elect to participate via teleconference must understand that no accommodation will be made in the event of lost connectivity on their part for poor audio quality, for missed questions asked at the conference, etc. Other than for publishing questions and final answers, no follow-up meeting or broadcast will be made to accommodate or rectify any shortcomings in the teleconference format. Questions and answers will be posted to the NDPERS website by November 9, 2018.

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## **I. Overview of the NDPERS Program**

### **NDPERS**

The North Dakota Public Employees Retirement System (NDPERS) is a separate agency created under North Dakota state statute, and while subject to state budgetary controls and procedures, as are all state agencies, is not a state agency subject to direct executive control. NDPERS is managed by a Board comprised of nine members:

- Chairman – appointed by the Governor
- Member – appointed by the Attorney General
- Member – elected by retirees
- Members (3) – elected by active employees
- Legislators (2) – appointed by Legislative management
- State Health Officer or Designee

### **Dakota Plan**

Currently, NDPERS contracts with Sanford Health Plan (“Sanford” or SHP) to provide fully-insured health care coverage with a risk sharing agreement. From July 1, 1989 to June 30, 2015 the plan was fully insured with BCBS of North Dakota. Prior to July 1, 1989, the program was self-insured. The plans provided pursuant to this fully funded arrangement are:

- PPO/Basic – Grandfathered plan
- PPO/Basic – Non grandfathered plan
- HDHP/HSA Plan – Non grandfathered
- Dakota Retiree Plan
- 

### **PPO**

PPO stands for “Preferred Provider Organization” and is a group of hospitals, clinics, and physicians who have agreed to discount their services to members of NDPERS or which the health insurance carrier has so designated. Members have “freedom of choice” in selecting which physician or medical facility to use for services. Because PPO health care providers charge less for medical care services, cost savings are passed on to the members by way of reduced cost sharing amounts. NDPERS is seeking to maintain its current list of PPO providers.

### **Basic Plan**

If a PPO health care provider is not available in the member’s area, or if the member chooses or is referred to a health care provider not participating in the Preferred Provider Organization, the member will receive the Basic Plan benefits.

### **High Deductible Health Plan (HDHP)**

In addition to the PPO / Basic Plans, NDPERS offers state employees the option to enroll in a high-deductible health plan (HDHP) with a Health Savings Account (HSA). The HDHP/HSA option has a higher annual deductible and coinsurance costs for medical services. However,

the higher out-of-pocket costs are partially offset by an employer contribution to the HSA. For the 7/1/17-6/30/19 contract period the NDPERS monthly HSA contributions are: \$76.80 for single coverage and \$185.88 for family coverage.

### **EPO (Enhanced Managed Care Product)**

#### **Coverage Rules: When Coverage Begins & Eligibility**

An eligible employee is entitled to coverage the first of the month following the month of employment, provided the employee submits an application for coverage within the first 31 days of employment. Each eligible employee may elect to enroll his/her eligible dependents.

#### **Eligible employees include:**

- State employees or employees of participating Political Subdivisions first employed prior to August 1, 2013 who are at least eighteen (18) years of age and whose services are not limited in duration, who are filling an approved and regularly funded position, and who are employed at least 17 and one-half hours per week and at least five months each year;
- State employees or employees of participating Political Subdivisions first employed after August 1, 2013, who are employed at least twenty (20) hours per week and at least twenty weeks each year of employment are eligible to receive benefits; and
- A temporary employee employed before August 1, 2007, may elect to participate in the uniform group insurance program by completing the necessary enrollment forms and qualifying under the medical underwriting requirements of the program if such election is made before January 1, 2015, and if the temporary employee is participating in the uniform group insurance program on January 1, 2015. In order for a temporary employee employed after July 31, 2007, to qualify to participate in the uniform group insurance program, the employee must be employed at least twenty hours per week; must be employed at least twenty weeks each year of employment; must make the election to participate before January 1, 2015; and must be participating in the uniform group insurance program as of January 1, 2015. To be eligible to participate in the uniform group insurance program, a temporary employee first employed after December 31, 2014, or any temporary employee not participating in the uniform group insurance program as of January 1, 2015, must meet the definition of a full-time employee under section 4980H(c)(4) of the Internal Revenue Code [26 U.S.C. 4980H(c)(4)].
- An Eligible Dependent includes: (1) The Spouse of the Subscriber; (2) A Dependent Child who is related to the Subscriber as a natural child, a child placed for adoption, a legally adopted child, a child for whom the Subscriber has legal guardianship, a stepchild, or a foster child; and is one of the following: (a) under the age of twenty-six (26), (b) incapable of self-sustaining employment by reason of a disabling condition and chiefly dependent upon the Certificate holder/Subscriber for support and maintenance. If the Plan so requests, the Subscriber must provide proof of the child's disability within thirty-one (31) days of the Plan's request. If a person has a disabled dependent that is over the limiting age but was never previously covered by the Plan, they are eligible for coverage if the disability occurred prior to reaching the limiting age of 26. If for any reason, Subscriber drops coverage for a disabled dependent prior to age 26, then wishes to cover the child again, coverage must be added prior to the child turning age

26. If the disabled child has reached age 26, the child must be continuously covered under the Plan in order to maintain eligibility; and (3) a Dependent of Dependent (a) Is the natural child of the Subscriber's Dependent child, a child placed with the Subscriber's Dependent Child for adoption, a legally adopted child by the Subscriber's Dependent child, a child for whom the Subscriber's Dependent Child has legal guardianship, a stepchild of the Subscriber's Dependent child, or foster child of the Subscriber's Dependent child. These same definitions apply to dependents of the Dependent child(ren) of the Subscriber's living, covered Spouse; and (b) the Subscriber's Dependent Child must be a Covered Dependent under this Certificate of Coverage for the dependent of the Dependent Child to be eligible; and (c) The dependent of Subscriber's Dependent Child must be chiefly dependent on the Subscriber's Dependent Child for support [N.D.C.C. §26.1-36-22 (3)(4)].

### **Pre-Medicare Retiree Eligibility**

Prior to July 1, 2015 retirees or surviving spouses who are under age 65 and are receiving a retirement allowance from the Public Employees Retirement System, the Highway Patrol Retirement System, the Teachers Insurance and Annuity Association College Retirement Equities Fund (TIAA), the Job Service Retirement Plan, the Teachers' Fund for Retirement (TFFR), or retirees who have accepted a retirement allowance from a participating political subdivision's retirement plan were eligible for benefits. In addition, former legislators are also eligible for this coverage.

Effective July 1, 2015, all new pre-Medicare retirees after that date are eligible for COBRA coverage as long as the retiree was participating in the health plan as an active employee prior to retirement. The pre-Medicare plan is no longer available to retirees who received their first retirement payment on or after July 1, 2015. Pre-Medicare retirees who retired before that date will continue to be eligible and may participate. Former legislators continue to remain eligible.

The pre-Medicare retiree single rate is 150% of the active member single rate; the rate for a pre-Medicare retiree plus one is twice the pre-Medicare single rate, and the rate for a pre-Medicare retiree plus two or more dependents is two and one-half times the pre-Medicare retiree single rate.

Detailed information regarding current eligibility for dependents for the Dakota Plan can be found in the 2017-2019 Certificate of Insurance at:

<https://ndpers.nd.gov/image/cache/shp-coi-gf.pdf>

### **Dakota Retiree Plan**

The Dakota Retiree Plan provides health care coverage as a secondary payer to Medicare. Coverage for Medicare retirees is different than the coverage for Pre-Medicare retirees. The NDPERS Medicare retiree plan mirrors Medicare supplement Plan F. Each eligible retiree may elect to enroll his/her eligible dependents as described in the *Eligibility* section above. The prescription drug benefit for retirees is provided through a group Prescription Drug Plan (PDP/EGWP) on a calendar year basis and is not part of this RFP.

Detailed information regarding current eligibility for dependents for the Dakota Plan can be found in the Certificate of Insurance at: <https://ndpers.nd.gov/image/cache/shp-coi-retiree.pdf>

Beginning in 2020, NDPERS is considering adding an additional retiree option for new retirees that would be a Medicare supplement Plan G “look-a-like” plan. NDPERS is developing plans for this new supplement in recognition of the Medicare Access and CHIP Reauthorization Act of 2015. In the cost proposal for the fully insured plan, NDPERS is requesting a premium estimate for this coverage. At this point the board has not decided if existing retirees will be moved to the Plan G plan or if they will have the option to stay in the existing plan or move to the new plan.

### **Pharmacy Benefit Manager**

Currently, the prescription drug plan coverage for active and pre-Medicare retirees is bundled with the medical plan provided by Sanford Health Plan who provides the core pharmacy benefit functions and services through ESI (which will transition to OptumRx on January 1, 2019). These services include claims processing, pharmacy network development/maintenance, drug formulary design, clinical program management, mail service, and specialty pharmacy. In responding to this RFP, PBM services may be offered as a bundled proposal with the medical insurance for fully insured or self-insured or it may be offered as an unbundled (carve-out), self-insured option directly by the PBM.

### **Data Warehouse**

NDPERS maintains a health care data warehouse. The medical records and related data of the employees, retirees, and dependents, obtained as the result of enrollment in the uniform group insurance program, are the property of NDPERS (North Dakota Century Code § 54-52.1-12). Currently, the health plan provides raw data, including detailed claims and enrollment data sets, based on a mutually agreed upon format no less than monthly for the data warehouse repository. All Vendors are required to submit claims and enrollment data in an agreed upon format.

A preference will be given for those who financially support the North Dakota Health Information Network (NDHIN) and are actively involved in its continual enhancement including contributing claims data, risk scores and gaps in care, promoting its use by providers by providing incentives, participating in its governance and technical advancement including being active users of the system themselves.

### **Reporting Requirements**

All monthly reports should be prepared for each plan offered (e.g., Grandfathered PPO, Non-Grandfathered PPO, HDHP, etc.) and should also roll up to quarterly and annual aggregate reports. NDPERS requires Vendors to provide reporting which includes, but is not limited to, the following.

1. Monthly enrollment counts by plan. (Exhibit E18)
2. Yearly breakdown, by plan of membership, high dollar cases, claims, medical charges submitted, ineligible charges, provider discounts, COB savings, copayments, deductibles and coinsurance paid by participants, RX and specialty spending and payment trend, and final paid claims. (Exhibit E5)
3. Annual policy accounting statement including claim reserves.

4. Quarterly summary to include financial/trend analysis, membership and health utilization summary, high dollar claims, RX and specialty spending and payment trend, health management and wellness program key indicators, performance standards and guarantee measures and accounting of completed and other ongoing activities such as smoking cessation, the about the patient program, and healthy pregnancy program. (Exhibit E4)
5. Monthly experience report including paid claims, administration fees, etc. A sample of the current monthly report is included as (Exhibit E6), however NDPERS understands that a monthly report format will include different data under a self-insured contract.

Each Vendor must:

1. Provide NDPERS with claims-specific data on a monthly basis by secure download, or other agreed upon medium. This information shall be in a format acceptable to NDPERS and subject to all federal and state laws on confidentiality and open records.
2. Carry over any cost share and accumulator amounts incurred from January 1 to June 30, of the prior contract period. In addition, any wellness incentive balances will be carried over.
3. Provide Biennial close-out report
4. Annual ACA-required reporting.
5. Provide support services to other NDPERS health program activities

In addition to the above plan-wide reporting, the successful Vendor will provide plan-specific reporting as requested for the following:

- PPO/Basic – grandfathered plan
  - PPO/Basic – Non grandfathered plan
  - HDHP/HSA Plan – Non grandfathered
  - Dakota Retiree Plan
- Also please note NDCC § 54-52.1-12, which applies to all information the Vendors acquire relating to NDPERS.

### **Funding/ Risk Sharing**

Currently NDPERS contracts with Sanford Health Plan to provide its health care coverage on a fully-insured basis with a risk sharing arrangement. Sanford Health Plan maintains full liability for incurred claims in excess of paid premium (no deficit carryover) subject to a risk corridor. If incurred claims plus expenses are less than premiums paid plus interest, NDPERS and the carrier share 50/50 in the first \$3 million in gains and thereafter all gains are returned to NDPERS. All funds in the account get interest paid each month based upon the yield to maturity of US Treasury Notes quoted by the Wall Street Journal maturing 24 months hence. NDPERS recognizes that different funding arrangements will be necessary to implement a self-insured program. For more details see the Sample Administrative Agreement Section 7 in Appendix A

## **Performance Standards and Guarantees**

The current health plan administrator adheres to agreed-upon performance standards and guarantees with a financial incentive/forfeiture component that is negotiated each biennium as part of the renewal process. The settlement/payment for such incentive/forfeiture is included in the annual settlement process. See appendix H for a copy of these performance standards and guarantees. NDPERS is interested in replicating or enhancing these standards in a future contract. It is a priority for the Board to have a comprehensive set of standards and guarantees relating to this plan.

## **Current Annual Settlement and Reconciliation**

Within 31 days of 12 months after the end of the biennium, NDPERS requires an accounting summary which will result in an initial settlement of the biennium agreement. Within 31 days of 24 months after the end of the biennium a final accounting summary is required, which will result in a final settlement of the biennium agreement. NDPERS recognizes that different settlement arrangements will be necessary to implement a self-insured program. See section 7 of the sample contract in Appendix A.

## **Current and Desired Plan Designs**

In addition to matching the current coverage provisions, as noted below, the successful vendor shall include adding any federally required coverage provisions on or after July 1, 2019. For details, refer to the following:

### Dakota Plan:

PPO/Basic – Grandfathered Plan <https://ndpers.nd.gov/image/cache/shp-coi-gf.pdf>

PPO/Basic – Non Grandfathered Plan <https://ndpers.nd.gov/image/cache/shp-coi-ngf.pdf>

HDHP/HSA – Non Grandfathered Plan <https://ndpers.nd.gov/image/cache/shp-coi-hdhp.pdf>

Please note NDPERS is requesting that the proposer also provide a HSA product as part of this proposal for the HDHP product

Dakota Retiree Plan <https://ndpers.nd.gov/image/cache/shp-coi-retiree.pdf>

## **Member Access**

Members have “freedom of choice” in selecting which physician or medical facility to use for services. PPO benefits are currently available with a PPO-participating provider within North Dakota or its contiguous counties. If a PPO health care provider is not available in the member’s area, or if the member chooses or is referred to a health care provider not participating in the PPO, the member will receive the Basic Plan benefits. The copayments, annual deductibles and coinsurance amounts vary between the PPO Plan and Basic Plan.

## **Directory**



The current provider directory is available through the Sanford Health Plan website at: <https://www3.viiad.com/shp/public/>. Vendors must be able to provide a comparable network to the existing provider networks to provide appropriate access on a statewide basis.

### **Disease and Other Health Management Programs**

Currently, Sanford Health Plan provides disease management and health improvement programs for eligible members. The list below includes examples of programs currently offered:

- Coronary Heart Disease
- Diabetes
- Hypertension
- Immunizations
- ADHD
- Colorectal Cancer
- Asthma

Vendors are expected to offer comprehensive, high quality case/disease management programs, including rare and chronic diseases, for the plans offered to both actives and retirees. Proposed programs and Vendors shall be identified in this RFP.

### **Wellness Programs**

Partnering with the Vendor, NDPERS participates in and offers a variety of wellness programs for eligible members and employers. The list below provides more details on some of the programs currently offered:

#### **Employee Wellness Incentives:**

- Covered employees and/or spouses are each eligible to receive up to \$250 in incentives per year through participation. All covered retirees and/or spouses are also eligible for this incentive. Each participant must complete an annual health risk assessment through the Vendor's online wellness tool. Two programs are currently available to achieve the \$250 benefit (See Exhibit 17). The programs are:
  - 1) Online Wellness Tool (Platform used by current Vendor is Novu) – participants utilize the online wellness tool to take steps towards better health goals, including tracking activity and performing challenges to receive points for their participation. The points are then redeemed towards various gift cards or fitness related prizes - see Exhibit 1.
  - 2) Fitness Center Reimbursement – participants who utilize a health club facility 12 days per month will be reimbursed \$20 per month towards their membership fee - see Exhibit 2.

#### **Employer Wellness Initiatives:**

#### **Employer Based Wellness Program & Wellness Funding Program:**

- The employer based wellness program provides that employers who do not have an onsite wellness program pay premiums to NDPERS that are 1% higher. These funds are retained by NDPERS for administration. The program is given its authority in NDCC § 54-52.1-14. The goals for the program are to:
  - have 100% of our employers supporting a wellness message at their worksite
  - have our members get a greater understanding of wellness
  - create a better quality of life for our membership
  - contain health care costs
- Employers that participate in the NDPERS Group Health Insurance Plan have the opportunity to enroll in the employer based wellness program on an annual basis. For the wellness year July 1, 2018 to June 30, 2019, there are 189 of 244 employers participating. The wellness plan year is from July 1 to June 30. See the following for more details:

<https://ndpers.nd.gov/employers/employer-resources/employer-based-wellness/>

#### **Wellness Benefit Funding Program:**

The NDPERS Wellness Benefit Funding Program is available to employer groups that participate in the NDPERS group health plan and have been approved for the Employer Based Wellness Discount Program. The Wellness Funding Program, in conjunction with the Wellness Discount Program, encourages employers to commit to promoting wellness planning and programming at their work sites. The funding program provides funding assistance to employers that develop and sponsor onsite wellness programs for their employees. Benefits are available to eligible employers once each fiscal year of the biennium. For details, visit <https://ndpers.nd.gov/employers/employer-resources/employer-based-wellness/>. The successful vendor will administer the reimbursement program to employers. NDPERS will deposit with the vendor necessary funds for paying such reimbursements as approved by NDPERS.

#### **Additional Wellness Related Services & Programs:**

- **Wellness Consultant** – the Vendor must provide a dedicated staff member(s) to assist employees and employers with their wellness initiatives. Examples of services provided include:

To members:

- Assist with online wellness tool issues and questions.
- Assist with Fitness Center Reimbursement issues.
- Develop various challenges for participants to do through online wellness tool.
- Monthly wellness newsletter.
- Health coaching
- Annual notice to retirees regarding amount of taxable benefits

To employers:

- Conduct monthly coordinator calls/webinars with employer wellness coordinators. – see Exhibit 15
- Prepare and distribute a monthly wellness newsletter for coordinators. – see Exhibit 14
- Prepare monthly wellness newsletter for employees –See Exhibit 13
- Conduct coordinator workshops each summer across state for wellness coordinators to attend. – see Exhibit 19
- Coordinate the awarding of up to 6000 points (towards \$250 maximum) on the online tool for an employee's participation in the employer sponsored wellness program activities. – see Exhibit 11
- Coordinate and promote Walk at Work Day – see Exhibit 12
- Monthly files regarding employee wellness redemptions for tax reporting purposes.

**Member Education Presentations on Wellness Topics** – current Vendor provides 2-3 member education consultants that travel statewide to worksites and conduct presentations for employees on various wellness related topics. In addition, an additional wellness consultant is available to assist with member and/or employer issues related to the online wellness tool and employer funding request evaluations. There are currently 11 different topics provided. See Exhibit 16 for an example.

**Added Value Programs:**

- Tobacco Cessation – All currently covered state employees and their dependents age 18 and older are eligible to participate. The program provides telephone counseling and up to \$700 in expenses including up to \$200 for a participant's office visit and co-pays and \$500 every six months for FDA-approved medications. See the following website for further details: <https://www.sanfordhealthplan.org/ndpers/tobacco-cessation-program> . This is a collaboration between the current vendor, the ND Department of Health and NDPERS.
- Healthy Pregnancy Program – a program designed to provide support to pregnant members. See <https://www.sanfordhealthplan.org/ndpers/healthy-pregnancy-program> for details.
- Diabetes Management – The About the Patient diabetes program is offered to covered members that are diabetic to support drug adherence. The program is coordinated with the ND Pharmacy Association. See <https://www.aboutthepatient.net/patients/diabetes-info/ndpers-program-info/> for details.
- Diabetes Prevention Program (DPP) Pilot – The NDPERS Board approved the DPP pilot in 2018 and the program is being offered in the larger population cities of Bismarck, Fargo, Grand Forks, Dickinson, Jamestown and Minot twice per biennium. The purpose of the program is to encourage healthy lifestyles for members at risk of developing diabetes. The Board will be evaluating the results of the pilot to determine if the program should be made a permanent part of the health plan.

**Other Administrative Services – See Contract Exhibits for details**

The successful vendor will also need to perform the following administrative services:

- Make payments for the NDPERS Tobacco Cessation Program  
<https://www.sanfordhealthplan.org/ndpers/tobacco-cessation-program>
- Make payment for the NDPERS About the Patients diabetes program. See  
<https://www.aboutthepatient.net/patients/diabetes-info/ndpers-program-info/>  
for details.
- Make payments for the NDPERS Wellness Funding Program. – see  
<https://ndpers.nd.gov/employers/employer-resources/employer-based-wellness/wellness-benefit-funding-program/> for details.
- Make payments for the NDPERS Diabetes Prevention Program Pilot – submit payment to diabetes trainers upon approval and notification by NDPERS

**Employee Assistance Program (EAP)**

The mission of the Employee Assistance Program (EAP) is to provide confidential, accessible counseling and referral services to individual employees in order to restore and strengthen the health and productivity of employees and the workplace. The EAP is available to employees and their immediate family members. For more information regarding the current EAP, refer to the website: <https://ndpers.nd.gov/active-members/insurance-plans/employee-assistance-program-eap/>

The selected vendor(s) are expected to cooperate as needed to ensure seamless administration and member service. NDPERS is not seeking proposals for this service as part of this RFP.

**Enrollment/Premium Administration**

NDPERS will submit enrollments, billing and/or premium remittance via a centralized electronic system. NDPERS will collect enrollment/eligibility information which will be provided to the successful vendor on a data file that follows the HIPAA 834 file specifications. The indicative data provided on the 834 enrollment/eligibility file is to be loaded onto the successful vendor's data base and used for ID cards and all transactions/communications related to the member's participation in the plan. Premium payment information will be provided on a data file that follows the HIPAA 820 file specifications. Files will be transmitted using a secure file transmission process. The successful vendor must be able to receive this data in that format and media.

**COBRA Administration**

NDPERS provides COBRA continuation for terminated/retired employees in compliance with federal regulations. NDPERS administers this program. The selected vendor(s) are expected to cooperate as needed to ensure seamless administration and member service. NDPERS is not seeking proposals for this service as part of this RFP.

**Workers' Compensation Program**

If benefits or compensation are available, in whole or in part, under provisions of a state workers' compensation act, laws of the United States or any state or political subdivision thereof, the benefits under the Dakota Plan will be reduced by and coordinated with such benefits or compensation available.

### **Conversion/Continuation**

Upon enrollment under the NDPERS Benefit Plan, vendor will provide written notice to covered employees and their covered spouses of their applicable continuation rights pursuant to the Consolidated Omnibus Budget Reconciliation Act ("COBRA") or under State law pursuant to NDCC §26.1-36-23, if applicable. In addition, the vendor will offer members an individual policy when application is made within 31 days of the termination of enrollment under NDPERS and member resides in vendor's service area where vendor is licensed to sell an individual policy.

The administration of the conversion privilege is subject to applicable state law

### **Out of Area Coverage**

If a member receives care from a non-participating health care provider within the state of North Dakota, benefit payments are reduced by a certain percentage and the member is responsible for the payment reduction. If a member receives care from a non-participating health care provider outside the state of North Dakota, the allowance for covered services will be an amount within a general range of payments made and judged to be reasonable by the Vendor. The benefits available under the Dakota Plan and Dakota Retiree Plan are also available to members traveling or living outside of the United States (subject to certain requirements such as preauthorization and prior approval). Detailed information regarding eligibility and out of area benefit levels can be found in the 2017-2019 Summary of Benefits at <https://ndpers.nd.gov/image/cache/shp-coi-gf.pdf>

### **Annual Enrollment**

Dakota Plan annual open enrollment typically takes place in October/November of each year. Employees may enroll in coverage or make changes in coverage during this period. Annual open enrollment is not applicable to Pre-Medicare or Medicare retirees.

### **Current and Historical Monthly Rates and Employee Contributions**

The contributions for single or family coverage for state employees are currently paid at 100% by the State. Please note that for the state, a single composite rate is used instead of the single/family rate. The contributions for employees of participating political subdivisions are at the discretion of the subdivision and subject to the minimum contribution requirements of NDPERS. The contributions for temporary employees are either at their own expense or their employer may pay any portion of the premium subject to its budget authority. The state may consider changing this policy beginning July 1, 2019 to paying 100% of single premium and a similar or greater contribution to the family coverage.

In the case of a temporary employee who is an applicable taxpayer as defined in section 36B(c)(1)(A) of the Internal Revenue Code [26 U.S.C. 36B(c)(1)(A)], the temporary employee's required contribution for medical and hospital benefits self-only coverage may not exceed the

maximum employee required contribution specified under section 36B(c)(2)(C) of the Internal Revenue Code [26 U.S.C. 36B(c)(2)(C)], and the employer shall pay any difference between the maximum employee required contribution for medical and hospital benefits for self-only coverage and the cost of the premiums in effect for this coverage.

The chart in Exhibit E20 shows the current total monthly rates billed and paid to the Vendor for NDPERS members.

### **Age/Gender Statistics**

Appendix E – Item 1 displays a breakdown of the member counts by age and gender for the period June 2018.

### **Contract Count**

Appendix E – Item 2 displays a breakdown of the contract counts by month and cost category for the period of 7/2015 – 6/2018.

### **Member Count**

Appendix E – Item 3 displays a breakdown of the member counts by month and cost category for the period of 7//2015 – 6/2018.

### **Claims Volume**

Appendix E – Item 4 displays a breakdown of the total claims transactions by month and cost category for the period of 7//2015 – 6/2018.

### **Claims Dollars**

Appendix E – Item 5 displays a breakdown of the total claims plan paid dollars by month and cost category for the period of 7/20153 – 6/2018.

### **Large Claim History**

Appendix E – Item 6 displays a high level summary of unique members with plan paid dollars in excess of \$100,000 for the periods 7/1/15-6/30/17 and 7/1/17 – 6/30/18.

### **Contracts by Zip Code**

Appendix E – Item 7 displays a breakdown of the contract counts by residence zip code for the period June 2018.

## **II. RFP Objectives and Vendor Responsibilities**

### **RFP Objectives**

North Dakota Public Employees Retirement System (“NDPERS”) is soliciting proposals for the insurance and/or administration of its employee/retiree medical and prescription drug insurance plan. Proposals will be accepted from administrative/insurance companies (“Vendors”) that are capable of offering a statewide provider network, utilization management, disease management, wellness program and pharmacy benefit manager services along with other related services. In addition, the successful vendor will provide an HSA product for the HDHP. The contract to be awarded is a multi-year arrangement beginning (July 1, 2019) and ending (June 30, 2021).

In order for the Board to choose a self-insured arrangement (NDCC 54-52.1-04.3), the Board must determine that it would be less costly than the lowest bid submitted by a carrier for underwriting the plan with equivalent contract benefits on a fully insured basis.

### **Requested Bids**

NDPERS is soliciting bids on a fully insured, bundled (i.e. medical and pharmacy) basis in this RFP. We are also soliciting self-insured services on a bundled and/or unbundled basis.

#### **Bundled:**

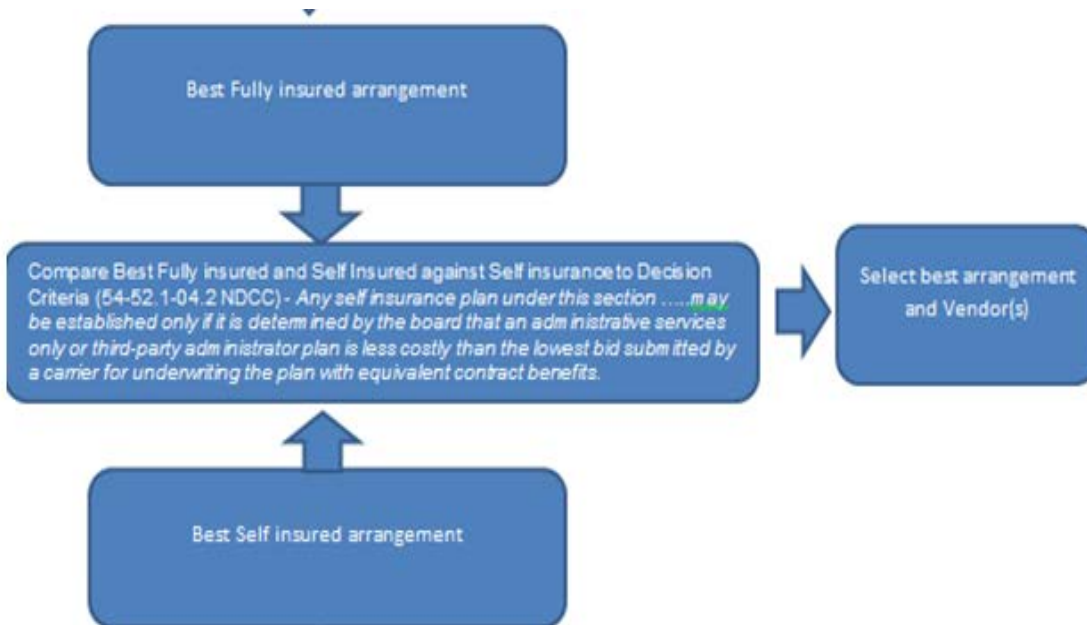
- Fully insured medical and pharmacy (carve-in pharmacy)

#### **Unbundled:**

- Fully insured medical only
- Self-insured medical only
- Self-insured pharmacy only (carve-out)

## Analysis Process

The analysis process that will be used by NDPERS is to review the fully insured medical proposals to determine the best offering and then compare to self-insured proposals. We will concurrently review the self-insured offers to determine the best offer. Once the above evaluations have been completed NDPERS will review the best fully insured offer to the best self-insured offer.



The board will then determine if self-insured is an option and, if so, determine which arrangement and vendor.

NDPERS is interested in providing high quality, comprehensive and affordable health care to all of its employees and their dependents. The intent of this RFP is to identify and evaluate the proposals that meet the minimum requirements as defined, and select one vendor that will support the program goals and objectives. **Current goals and objectives include, but are not limited to, the following:**

- **Competitive Overall Cost** – NDPERS intends to continue to provide its employees and retirees with comprehensive health care that is affordable and competitive. NDPERS is especially interested in stabilizing or controlling costs and increases to both the employer and employees. To accomplish this, it is interested in competitive administrative and program fees and competitive provider reimbursement arrangements.
- **Transparent/Traditional PBM.** NDPERS is interested in evaluating financial arrangements based on the traditional approach to PBM pricing and pricing under a transparent arrangement. “Traditional” financial proposals should include guaranteed effective rate discounts, as well as specific fees and guaranteed rebate dollar amounts. “Transparency” for purposes of this Request for Proposals is defined as a full pass through to NDPERS of all monies paid to the PBM arising from all contracted arrangements as well as elimination of spread pricing. When



answering questions and completing exhibits related to your financial proposal, please indicate if your answer would differ under a transparent or a traditional pricing arrangement. NDPERS will give preference to transparent proposals.

- **PBM Audits.** In Section 54-52.1-04.15 of the NDCC it states:
  1. If the prescription drug coverage component of a health insurance benefits coverage contract received in response to a request for bids under section 54-52.1-04 utilizes the services of a pharmacy benefits manager, either contracted directly with a pharmacy benefits manager or indirectly through the health insurer, in addition to the factors set forth under section 54-52.1-04 the board shall consider and give preference to an insurer's contract that:
    - a. Provides the board or the board's auditor with a copy of the insurer's current contract with the pharmacy benefits management company which controls the prescriptions drug coverage offered as part of the health insurance benefits coverage, and if the contract is revised or a new contract is entered, requires the insurer to provide the board with the revision or new contract within thirty days of the change.
    - b. Provides the board with monthly claims data and information on all programs being implemented or modified, including prior authorization, step therapy, mandatory use of generic drugs, or quantity limits.
    - c. Describes the extent to which the board may customize the benefit plan design, including copayments, coinsurance, deductibles, and out-of-pocket limits; the drugs that are covered; the formulary; and the member programs implemented.
    - d. Describes the audit rights of the board.
  2. The board may conduct annual audits to the extent permitted under the contract terms agreed to under subsection 1. The audits must include:
    - a. A review of a complete set of electronic prescription coverage claims data reflecting all submitted claims, including information fields identified by the board.
    - b. A review of a list of all programs that have been implemented or modified during the audit period under subsection 1, and in connection with each program the auditor shall report on the cost, the cost savings or avoidance, member disruption, the process for and number of overrides or approvals and disapprovals, and clinical outcomes.
    - c. Recommendations for proposed changes to the prescription drug benefit programs to decrease costs and improve plan beneficiaries' health care treatment.
  3. Information provided to the board under the contract provisions required under this section are confidential; however, the board may disclose the information to retained experts and the information retains its confidential status in the possession of these experts.
- **Plan Design.**

NDPERS is interested in maintaining the existing plan design. Any plan design parameters that cannot be duplicated must be clearly noted in your proposal.

In addition, NDPERS is requesting the effect on expected plan costs or premium-equivalents for plan design changes as identified in the cost proposal.

PPO/Basic Grandfathered Plan Illustration											
Without Specialty Tiers	Existing PPO/Basic/ Grandfathered		0.0% Change		- 2.0% Change		- 5.0% Change		TBD		
	Existing PPO/Basic/ Grandfathered		Option 1 Non-Grandfathered		Option 2 Non-Grandfathered		Option 3 Non-Grandfathered		Managed Care Non-Grandfathered		
	PPO	Basic	PPO	Basic	PPO	Basic	PPO	Basic	PPO	In State (Basic)	Out of State (No referral)
Single Deductible	\$500	\$500	\$500	\$500	\$1,000	\$1,000	\$1,000	\$1,000	\$500	\$500	\$1,000
Family Deductible	\$1,500	\$1,500	\$1,500	\$1,500	\$3,000	\$3,000	\$3,000	\$3,000	\$1,500	\$1,500	\$3,000
Single Coinsurance/Max	80%/ \$1,000	75%/ \$1,500	80% \$2,500	75% \$3,000	80% \$2,000	75% \$2,500	80% \$4,000	75% \$4,500	80% \$2,100	75% \$2,600	60% \$5,200
Family Coinsurance/Max	80%/ \$2,000	75%/ \$3,000	80% \$5,000	75% \$6,000	80% \$4,000	75% \$5,000	80% \$8,000	75% \$9,000	80% \$4,200	75% \$5,200	60% \$10,400
Single Maximum Out of Pocket	\$1,500	\$2,000	\$3,000	\$3,500	\$3,000	\$3,500	\$5,000	\$5,500	\$2,600	\$3,100	\$6,200
Family Maximum Out of Pocket	\$3,500	\$4,500	\$6,500	\$7,500	\$7,000	\$8,000	\$11,000	\$12,000	\$5,700	\$6,700	\$13,400
Office Call Copayment	\$30	\$35	\$30	\$35	\$30	\$35	\$30	\$35	\$30	\$35	\$50
Emergency Room Copayment	\$60	\$60	\$60	\$60	\$60	\$60	\$60	\$60	\$60	\$60	\$60
Preventive Care	Standard Cost Share	Standard Cost Share	100%	100%	100%	100%	100%	100%	100%	100%	100%
Generic	\$7.50/88%	\$7.50/88%	\$10.00 100%	\$10.00 100%	\$10.00 100%	\$10.00 100%	\$10.00 100%	\$10.00 100%	\$10.00 100%	\$10.00 100%	\$10.00 100%
Brand	\$25/75%	\$25/75%	\$25/75%	\$25/75%	\$25/75%	\$25/75%	\$25/75%	\$25/75%	\$25/75%	\$25/75%	\$25/75%
Coinurance Max	\$1,200	\$1,200	Part of Medical	Part of Medical	Part of Medical	Part of Medical	Part of Medical	Part of Medical	Part of Medical	Part of Medical	Part of Medical
Non-formulary	\$30/50%	\$30/50%	\$30/50%	\$30/50%	\$30/50%	\$30/50%	\$30/50%	\$30/50%	\$30/50%	\$30/50%	\$30/50%
Existing PP/Basic HDHP											
	PPO	Basic									
Single Deductible	\$2,000	\$2,000									
Family Deductible	\$4,000	\$4,000									
Single Coinsurance/Max	80%/ \$1,500	75%/ \$2,000									
Family Coinsurance/Max	80%/ \$3,000	75%/ \$4,000									
Single Maximum Out of Pocket	\$3,500	\$4,000									
Family Maximum Out of Pocket	\$7,000	\$8,000									
Office Call Copayment											
Emergency Room Copayment											
Preventive Care	100%	100%									

- **Comparable Statewide Provider Network/PPO Network and out of state network** – NDPERS is interested in the following:
  - A network of in and out-of-state providers for the Basic and PPO plans that is commensurate with the existing network
  - Broad network in terms of the number (%), breadth, quality and location of network providers, with the goal of matching as closely as possible the current provider networks and geographic access. **If a new vendor is selected they must at a minimum maintain the existing network for the first year of the contract and utilize that time to negotiate with any provider outside the network.**
  - Limited doctor/patient disruption – NDPERS is interested in limiting the disruption employees may experience in the event of a change in Vendors. (see Appendix xxx.)
  - Access to preferred providers outside the local geographic service area (national).
  - Ability of the vendor to negotiate NDPERS-specific contracts.
  - The ability to match or exceed existing discount levels
  - Commitment to pay for performance and other cost and quality initiatives.
- **Disease and Other Care Management Programs**

NDPERS wishes to continue to offer disease management, care management and care support programs as part of the overall health care program, and is interested in exploring innovative, positive incentives for participation in these programs. Vendors

must demonstrate their ability to report and provide meaningful, interpretive data to better support the disease and other care management programs.

- **Health Improvement, Education and Wellness Programs**

NDPERS is interested in partnering with its Vendors to offer the same or similar program that is already a part of NDPERS. Our existing program also links to the NDPERS employer based wellness program and this should also be supported. NDPERS also wishes to maintain a dedicated wellness staff member with the successful vendor who will work with our worksite wellness coordinators. The successful vendor must provide this resource.

- **Retiree Medicare Coverage**

Match the existing coverage and arrangement.

### **Vendor Responsibilities**

The selected vendor must demonstrate the ability to develop and manage a health care provider network, provide claims processing services, utilization management, medical management, disease management, wellness program, dedicated account service and support, dedicated member/customer service, data/management reporting, billing, appeals process and other administrative services. Vendors should also adjudicate and resolve Medicare Secondary Payer demands (See Exhibit 8)

In addition, Vendors are expected to conduct ongoing performance review meetings with NDPERS regarding plan financial performance, provider contracting issues, progress related to network goals and new network development, patient satisfaction, new or emerging legal issues, and other relevant and timely operational issues that may affect the plan. Vendors are to identify actions to enhance that performance.

Additional details regarding expected health plan administrator duties can be found in Appendix G and Appendix A. Vendors must review these sections carefully to identify how you would provide current contract benefits and what contracting provisions you could agree to, while maintaining the minimum requirements specified in Section III – Proposal Content outlined below. A sample ASA must be included with the proposal in Appendix A. Specific responses are needed for the analysis of “equivalent contract benefits”. In addition the board will consider other information.

The proposed effective date of the program is July 1, 2019. Vendors will have the opportunity to demonstrate capabilities in these areas by responding to the questionnaires provided in this RFP and potentially with additional finalist questions and presentations.

### III. Proposal Content

See Appendix B for the response template. All vendors must follow this in preparing their proposals. Failure to do so may disqualify your firm from consideration. Also refer to Section IV., Proposal Submission, for instructions and additional information regarding proposal format and content.

#### Proposal Contents

By submission of a proposal, Responder warrants that the information provided is true, correct and reliable for purposes of evaluation for potential contract award. The submission of inaccurate or misleading information may be grounds for disqualification from the award. The contents of the proposal and any subsequent clarifications submitted by the successful proposers will become part of the contractual obligation and incorporated by reference into the ensuing contract.

The proposal that you submit will constitute your unqualified consent to the following mandatory requirements:

- Proposals submitted in response to this request will be considered the only submission; revised proposals will not be allowed after the proposal return date and time unless requested by NDPERS or approved by the NDPERS Board.
- All proposals must answer all applicable questions on the attached questionnaire(s).
- All proposals become the property of NDPERS and will not be returned to the offering company. Also, all information provided is a public record under North Dakota law unless specifically exempted by law.
- All offering companies must be prepared to make finalist presentations and allow site visits.

#### Term of Contract

The North Dakota Public Employees Retirement System is governed by North Dakota State statutes, which includes a requirement to solicit bids for medical benefits coverage for a specified term for a fully-insured arrangement and every other biennium for an Administrative Services arrangement. NDPERS has determined that the specified term for providing such hospital and medical/rx benefits under a self-insured arrangement shall be four years to include two biennium periods: July 1, 2019 to June 30, 2021 and July 1, 2021 to June 30, 2023. This contracting period is set in NDCC § 54-52.1-04.2.

For the fully insured bid it is the intent of NDPERS to contract for a 2-year period with the option to renew for an additional two 2-year periods. Pursuant to North Dakota law the renewal will subject to the following:

*a. The board may renew a contract subject to this subsection without soliciting a bid under section 54-52.1-04 if the board determines the carrier's performance under the existing contract meets the board's expectations and the proposed premium renewal amount does not exceed the board's expectations.*

*b. In making a determination under this subsection, the board shall:*

*(1) Use the services of a consultant to concurrently and independently prepare a renewal estimate the board shall consider in determining the reasonableness of the proposed premium renewal amount.*

*(2) Review the carrier's performance measures, including payment accuracy, claim processing time, member service center metrics, wellness or other special program participation levels, and any other measures the board determines relevant to making the determination and shall consider these measures in determining the board's satisfaction with the carrier's performance.*

*(3) Consider any additional information the board determines relevant to making the determination.*

*c. If the board determines the carrier's performance under the existing contract does not meet the board's expectations or the proposed premium renewal amount exceeds the board's expectations and the board determines to solicit a bid under section 54-52.1-04, the board shall specify its reasons for the determination to solicit a bid.*

If the plan is awarded as a self-insured plan pursuant to this RFP, NDPERS and the successful vendor(s) may renegotiate the existing contract during the interim biennium without resorting to a formal bidding process. If NDPERS and the successful vendor(s) are unable to reach an agreement during renegotiations, a formal bidding process will be initiated. Negotiations will begin in June and end in September in the final fixed year of the biennium. Within thirty (30) days, NDPERS reserves the right to terminate any contract awarded pursuant to this bidding process.

### **Minimum Requirements**

Minimum requirements are in the response template in appendix B; please review and respond as part of your submission

## **IV. Proposal Submission**

### **Instructions**

All proposals should be submitted simply and economically providing a direct, concise delineation of the vendor's proposal and qualifications adhering to the proposal format guidelines outlined below. Vendors should also refer to Section III, Proposal Contents, for a list of minimum requirements.

- Proposals should be typed or printed on 8.5" x 11" paper.
- All proposals must include a transmittal letter/statement which includes the following:
  - An acknowledgement of receipt of the group health RFP specifications and any addenda and a statement that the proposal conforms to the RFP minimum requirements. This letter must include the title and signature of a Duly Authorized Officer of the company. As noted above, any deviations from the specifications must be clearly noted in your proposal. Failure to note deviations may exclude the proposal from further consideration.
- All proposals must include a table of contents and follow the response template in appendix B.
- All pages of proposals must have consecutive page numbers.
- Proposals must respond to RFP minimum requirements.
- Responses to questions must include a restatement of the question (number and text as identified in the RFP) with the response immediately following.
- Appendices and other supplemental information provided with your proposal must be clearly identified.
- Cost proposal must be submitted in a separate, sealed envelope and clearly marked, "Cost Proposal". Insured rates and/or Administrative fees and stop loss premiums quoted in Appendix D: Cost Proposal Exhibits will be all-inclusive. NDPERS will not be billed any additional amounts for services, including commissions or brokerage fees.
- NDCC § 54-52.1-10 (Exemption From State Premium Tax) provides that "All premiums, consideration for annuities, policy fees, and membership fees collected under this chapter are exempt from the tax payable pursuant to section 26.1-03-17". Thus, Offeror's responses should not reflect any amounts for premium taxes.
- Any and all deviations must be clearly noted and submitted under separate cover. If you do not identify and explain deviations, your proposal will be deemed a certification that you will comply in every respect with the requirements and contractual language set forth in this RFP. Deviations and exceptions are discussed in Appendix F and the template therein must be followed.

### **Required Proposal Content and Order:**

#### **Qualitative Proposal**

- Transmittal letter

- Executive Summary
- Completed Appendix B (Response template – forms/minimum requirements)
- Completed Appendix C1, C2, C3 (Questionnaires – as applicable)
- Completed Appendix F (Deviations)
- Completed Appendix G (Confirmation of services)
- Completed Appendix H (Performance guarantees)
- Completed Appendix I1 and I2 (Disruption analyses) – Provide electronic files only
- Completed Appendix K (Suggested Changes)
- Red-lined version of sample contract (Appendix A)
- Supplemental information/ attachments (optional)

**Cost Proposal**

- Completed Appendix D1, D2 (Insured/ Self-insured cost proposals – as applicable)
- Additional documentation supporting cost proposals (optional)

## **Proposal Submission and Contact Information**

Vendors must use the response template/questionnaire provided in Appendix B in preparing proposals. Proposals should be submitted in two parts, with the cost proposal under separate cover from the qualitative proposal (which should include all other proposal content). Late proposals will not be considered unless approved by the Board. Proposals will be sent to two parties, as described below:

Vendors are required to submit one (1) unbound original and ten (10) paper copies of the **qualitative proposals** along with one (1) electronic copy (CD or flash drive) of the qualitative proposal to:

**Bryan Reinhardt**  
Research & Planning  
North Dakota PERS  
400 East Broadway  
Suite 505  
Bismarck, ND 58502

A full electronic copy of the **qualitative proposal** and **cost proposal** must be emailed to Deloitte Consulting. Alternatively, the electronic proposal files can be saved to CD or flash drive and shipped. All appendices provided in Microsoft Word or Excel with the RFP must be provided along with your proposal in Word or Excel.

**Josh Johnson**  
Senior Manager  
Deloitte Consulting LLP  
50 South 6<sup>th</sup> Street  
Suite 2800  
Minneapolis, MN 55402  
jkjohnson@deloitte.com

**PLEASE NOTE:** As indicated above, cost proposals should only be submitted to Deloitte Consulting.

**From the date of issuance until the announcement of the finalist, Vendors should only contact the Deloitte RFP coordinator, Josh Johnson. All correspondence and questions must be submitted in writing via e-mail to Deloitte Consulting in accordance with the timeline set forth in this RFP. NDPERS personnel are not authorized to discuss this RFP with vendor; doing so may result in disqualification. Vendors may continue to communicate with NDPERS staff regarding other relevant business matters.**



## Questions and Answers

Vendors must submit questions in writing via e-mail to Josh Johnson at [jkjohnson@deloitte.com](mailto:jkjohnson@deloitte.com) **by 5:00 p.m. CT on October 24, 2018**. Answers will be summarized and distributed to all Vendors who have requested the RFP via email no later than close of business on November 9, 2018 as well as posted on the NDPERS website. *Telephone inquiries will not be accepted.*

## Vendor Conference

A Vendors' conference will be held in Bismarck on October 17, 2018 at **the North Dakota State Capitol Building – Fort Union Room from 1:00 – 3:00** or until all questions have been submitted. Bidders may attend in person or call in to **701-328-9754** the day of the conference. The phone number will be activated at 12:55 p.m. central time. Anyone calling in must identify themselves for everyone in the room. Expenses incurred by bidders to participate in the bidders' conference, either in person or by voice, are the responsibility of the bidder and will, under no circumstances, be reimbursed by NDPERS. Those who elect to participate via teleconference must understand that no accommodation will be made in the event of lost connectivity on their part for poor audio quality, for missed questions asked at the conference, etc. Other than for publishing questions and final answers, no follow-up meeting or broadcast will be made to accommodate or rectify any shortcomings in the teleconference format. Questions and answers will be posted to the NDPERS website by November 9, 2018.

## Proposal Deadline

All proposals must be received by Josh Johnson **by 5:00 p.m. CT on December 3, 2018**. Late proposals will not be considered.

## Proposed Timetable

The timeline is provided below for informational purposes. NDPERS reserves the right to change the dates. Every effort will be made to notify Vendors of changes to the proposed timeline.

Activity	Date/Time (All Times in CT)
NDPERS publishes Request for Proposal (RFP)	September 24, 2018
Vendor Conference	October 17, 2018
Vendor questions (in writing) due	October 24, 2018 (5 pm)
NDPERS distributes answers to Vendors' questions	November 9, 2018
<b>Proposals due</b>	<b>November 26, 2018 (5 pm CST)</b>
Finalist presentations (if requested)	Jan/Feb 2019
NDPERS notifies finalist of intent to negotiate	Feb 2019
Vendor(s) and NDPERS complete negotiations	Feb/Mar 2019

Vendor(s) and NDPERS begin implementation	March 2019
Vendor(s) begins providing services	July 1, 2019

## **V. Proposal Review and Evaluation**

### **Rights of NDPERS**

This RFP does not obligate NDPERS to complete the proposed project. NDPERS reserves the right to cancel the solicitation if it is considered to be in its best interest. Costs incurred for developing a proposal are the sole responsibility of the vendor. NDPERS also reserves the right to:

1. Reject any and all proposals received in response to this RFP.
2. Amend and re-issue this RFP.
3. Select proposals for contract award or for negotiations other than those with the lowest cost.
4. Consider a late modification of a proposal if the proposal itself was submitted on time, if the modifications were requested by the State, and if the modifications make the terms of the proposal more favorable to the State.
5. Determine that a deficiency is not substantive and waive the deficiency as immaterial. However, waiver of the deficiency shall in no way modify the RFP documents or relieve the vendor from full compliance with the terms of the contract if the vendor is awarded the contract.
6. Negotiate any aspect of the proposal with any vendor and negotiate with more than one vendor at the same time.
7. Use any or all ideas presented in any proposal received in response to this RFP, unless the vendor presents a positive statement of objection in the proposal. Objections will be considered as valid only relative to proprietary information of the vendor and so designated in the proposal. Exceptions to this are ideas that were known to NDPERS before submission of such proposal or properly became known to NDPERS thereafter through other sources or through acceptance of the proposal.

### **Selection Team**

A review team made up of NDPERS staff and its hired consultant will evaluate all proposals. The NDPERS Board will make the final decision on the award. NDPERS reserves the right to alter the composition of this selection team and its responsibilities.

### **Proposal Review and Evaluation Criteria**

Proposals will initially be reviewed and evaluated by staff and the consultant(s). The cost proposal will be reviewed independently to ensure that it is complete and submitted in the format requested. In reviewing the proposals, the requirements in NDCC § 54-52.1-04 will be considered.

**Phase I – Preliminary Review Criteria**

Proposals will initially be evaluated to determine if they comply with the following minimum requirements:

- Completeness of proposal, including minimum vendor requirements as outlined in Section III., Proposal Content, and submitted in the format designated in the RFP.
- Completeness and quality of responses to questionnaire(s) provided.
- Extensive statewide provider network which provides access to key population areas within the State.

**Phase II – Evaluation Criteria**

Proposals that have met the minimum requirements criteria listed above will then be reviewed based on the factors contained in the table below:

<b>Evaluation Criteria</b>
1. Ability to comply with terms outlined in the RFP and Board evaluation criteria
2. Comparable Contract Benefits including the following.
2a. Organizational experience and staff qualifications/experience
– Dedicated unit comprised of account management team, customer service, provider relations, and provider contracting
– Access to senior leadership team
– Ability to respond to unique challenges with solution-focused flexibility and innovation
– Client references
– Financial stability and solvency
2b. Plan Design
2c. Comparable Provider network capabilities
– Similar or greater number of providers in contract network including the PPO network
– For a new vendor the ability to match the existing provider network for the first year of the contract.
– Similar or greater level of discounts
– State-specific contracts
– Quality initiatives
– Contractual terms
– Increase number of network providers

Evaluation Criteria
<p>2d. Quality and comprehensiveness of health population, disease management, and health education and wellness programs</p> <ul style="list-style-type: none"> <li>– Utilization/case management capabilities</li> <li>– Quality initiatives</li> <li>– Ability to present appropriate innovative cost control strategies</li> <li>– Ability to support NDPERS employer based wellness program and employee wellness initiatives</li> <li>– Dedicated staff member for wellness program</li> </ul> <p>2e. Cost of requested services and return on investment</p> <ul style="list-style-type: none"> <li>– Value of provider reimbursement discounts</li> <li>– Administrative fees / insured rates</li> <li>– Care, disease management, and health improvement programs</li> <li>– Rx rebates</li> </ul>
<p>3. General Statutory Criteria (NDCC 54-52.1-04)</p> <ul style="list-style-type: none"> <li>– The economy to be affected.</li> <li>– The ease of administration.</li> <li>– The adequacy of the coverages.</li> <li>– The financial position and experience of the carrier, with special emphasis as to its solvency.</li> <li>– The reputation of the carrier and any other information that is available tending to show past experience with the carrier in matters of claim settlement, underwriting, and services</li> </ul>
<p>4. Specific Statutory Criteria (NDCC §§ 54-52.1-04.3 &amp; 54-52.1-04.3)*</p> <ul style="list-style-type: none"> <li>- The board may establish a self-insured plan only if it is determined to be less costly than the lowest bid submitted by a carrier for underwriting the plan with equivalent contract. In determining cost for self-insurance the board is required in statute to establish a plan to fund the reserve requirements in 54-52.1-04.3 within sixty months.</li> </ul>

**\* Self insurance Reserve Requirement (NDCC § 54-52.1-04.3)**

1. The board shall establish under a self-insurance plan a contingency reserve fund to provide for adverse fluctuations in future charges, claims, costs, or expenses of the uniform group insurance program.
2. The board shall determine the amount necessary to provide a balance in the contingency reserve fund between one and one-half months and three months of claims paid based on the average monthly claims paid during the twelve-month period immediately preceding March first of each year.
3. The board also shall determine the amount necessary to provide an additional balance in the contingency reserve fund between one month and one and one-half months for claims incurred but not yet reported.
4. The board may arrange for the services of an actuarial consultant to assist the board in making these determinations
5. Upon the initial changeover from a contract for insurance pursuant to section 54-52.1-04 to a self-insurance plan pursuant to section 54-52.1-04.2, the board must have a plan in

place which is reasonably calculated to meet the funding requirements of this chapter within sixty months.

### **Phase III. Board Evaluation and Decision**

1. The Board will review the staff/consultant(s) evaluation of proposals.
2. The Board may elect to interview the proposers.
3. The Board may also consider additional information.
4. The Board will make the final decision on the award of the contract.

### **Preference Criteria**

Preference Criteria will be applied by the board in the final evaluation of proposals as determined by the board. The following preference criteria have been identified in this RFP:

1. Support the North Dakota Health Information Network
2. Offer a transparent PBM arrangement (see pages 18-19)
3. Allow audits consistent with NDCC § 54-52.1-04.15 (see page 19)

### **PBM**

Included in this RFP is the pharmacy benefit contract NDPERS will use as the basis for the agreement. Vendors will be expected to review the proposed contract and provide requested pricing terms and guarantees in that contract.

## Appendix C1. Insured Medical and Pharmacy Questionnaire

In order for your proposal to be considered and accepted, your organization must provide answers to the questions presented in this section. Each question must be answered specifically and in detail. Include both the question and the answer in your proposal response. An electronic copy of this questionnaire has been provided to facilitate your response.

**This questionnaire must be completed if your organization is proposing fully insured medical with or without pharmacy coverage for NDPERS.**

Appendix C2 must be completed for self-insured medical bids and Appendix C3 must be completed for self-insured pharmacy bids.

Reference should not be made to a prior response unless the question involved specifically provides such an option. Proposers should refer to the earlier sections of this RFP before responding to any of the questions, to ensure that you have a complete understanding of the requirements with respect to your organization's proposal.

Vendors may include additional information that you consider relevant or useful to NDPERS. However, responses to all of the questions set forth below must be provided.

If this proposal results in your company being awarded a contract and if, in the preparation of that contract, there are inconsistencies between what was proposed and accepted versus the contract language that has been generated and executed, any controversy arising over such discrepancy will be resolved in favor of the language contained in the proposal or correspondence relating to your proposal. Vendors are reminded that **any and all deviations must be clearly identified and described in the RFP and the deviations worksheet provided in Appendix F.**

The questionnaire is broken down into the following categories:

### **General and Medical**

- Organizational Background, Strength, and Experience
- References
- Implementation and Account Management
- Communications and Website
- Plan Administration
- Eligibility
- Customer/Member Service
- Claims Administration
- Medical Information Technology
- Reporting
- Case/Utilization Management
- Health Risk Management Programs
- Network Accessibility and Disruption
- Cost, Quality, and Pay for Performance
- Credentialing and Contracting
- Reimbursements and Discounts
- Performance Standards and Guarantees
- HDHP/HSA
- Economy to be affected

- Fiduciary Responsibility
- Appeals Process

**Pharmacy Benefit Management**

- Pharmacy Benefit Management Organization General Information
- Pharmacy Benefit Account Management
- Pharmacy Benefit Member Interface Services
- Pharmacy Benefit Claims Processing and Operations
- Pharmacy Benefit Information Technology
- Formulary
- Pharmacy Benefit Clinical Management
- Pharmacy Network
- Implementation
- Financial
- Administrative Services Cost Components
- Preference Criteria



## General and Medical

### Organizational Background, Strength, and Experience

1. Provide a brief description of your organization, including your company history, organizational structure, services provided, location of headquarters, and length of time you have been in business. Describe any significant historical or future organizational developments (acquisitions, mergers, change in subcontracted vendors, etc.).
2. Vendors responding to this RFP must be able to substantiate their financial stability. Provide a copy of your audited financial statement or other financial information. Include, at a minimum, a Balance Sheet and a Profit and Loss Statement, together with the name and address of the bank(s) with which you conduct business and the public accounting firm(s) that audit your financial statements. Other sufficient information may include a written statement from a financial institution confirming the creditworthiness and financial stability of the vendor.
3. Provide a copy of any State or Federal regulatory audit performed within the last two years.
4. Confirm that your organization agrees to be accountable for everything stated in and submitted as part of your proposal, even if not specifically addressed in the Minimum Contract Provisions in Appendix B.
5. Indicate whether your company has ever been or is currently a party to litigation regarding a medical benefit plan contract or agreement, or data security breach. If so, provide details of the litigation or action. Failure to disclose this may constitute grounds for rejection of any proposal or termination of any contract.
6. State whether the vendor, its officers, agents or employees, who are expected to perform services under the NDPERS contract, have been disciplined, admonished, warned, or had a license, registration, charter, certification, or any similar authorization to do business suspended or revoked for any reason.
7. Include a description of your organization's major short term strategic initiatives and your long term strategic business plan. Specifically address cost containment efforts, providing specific examples of how you have made changes that resulted in savings for your clients.
8. Describe how your organization differentiates itself from your competitors. Specifically, what makes your organization the best partner for NDPERS?
9. Identify all services that are currently outsourced or subcontracted, the name of the vendor/partner, and length of the relationship and the nature of the long term partnership (eg: are the contracts expected to expire during the course of this contract). Describe how you ensure quality customer service and timely and effective issue resolution.
10. What ratings have you received from the following third party rating companies and organizations?

Rating Organization	Rating	Date of Last Accreditation / Rating
A.M. Best		

Standard & Poor's		
Moody's		
NCQA (by product)		
JCAHO		
URAC		

11. Are any of the services you are proposing to provide to NDPERS contracted outside the U.S.A? Describe any business you do outside the U.S.A. and the financial impact, if any, of requiring those services to be provided within the U.S.A.
12. Confirm that your proposal includes any and all deviations to the Sample Contract/ASA and other RFP requirements (via submission of Appendix F).
13. Confirm that you will conform to the Patient Protection and Affordable Care Act and the Health Care and Education Reconciliation Act of 2010. Describe any provisions that NDPERS must be prepared to comply with beginning July 1, 2019.
14. Have there been any mergers or acquisitions in the prior 24 months? If so, how will those deals impact NDPERS?

## References

15. Provide the following information on a maximum of three (3) of your largest plan clients for whom you provide services similar to those proposed in this proposal. References of similar size and scope to NDPERS are preferred; one must be your largest public sector client and one must be your largest North Dakota-based client.
  - a. Name of employer sponsoring plan and location
  - b. Type of services provided to plan sponsor
  - c. Plan inception date
  - d. Length of time as client
  - e. Number of contracts and members participating in the plan
  - f. Contact information (name, title, phone number, email address)
16. Provide the following information for two (2) of your largest clients that have terminated services during the preceding 3-year period. References of similar size and scope to NDPERS are preferred.
  - a. Name of employer sponsoring plan and location
  - b. Type of services provided to plan sponsor
  - c. Plan inception date
  - d. Length of time as client
  - e. Number of contracts and members participating in the plan
  - f. Reason for termination
  - g. Contact information (name, title, phone number, email address)

## Implementation and Account Management

17. Vendors must outline in detail the specific activities and tasks necessary to implement the NDPERS program. Be specific with regard to the following:
- Amount of total time needed to effectively implement the program
  - Activities/tasks and corresponding timing (Detailed Timeline)
  - Responsible parties and amount of time dedicated to implementation, broken out by vendor, current vendor and NDPERS staff
  - Any transition activities required with incumbent carriers, including data transfers and providing members adequate notice regarding current care or treatment plans at least 60 days prior to a change
  - Length of time implementation team lead and members will be available to NDPERS
18. Provide an overview of how the NDPERS relationship will be managed, both strategically and on a day-to-day basis. Include an organizational chart. NDPERS will give preference to vendors who are willing to assign a dedicated account management team and provide access to senior leadership. Designate the names, titles, location, telephone numbers, and email addresses for the representatives listed below. For the account service individuals listed (b, c, d, and e below), provide brief biographical information, such as years of service with your company, experience as it relates to this proposal, and the number of clients for which they perform similar services.
- The key individual representing your company during the proposal process;
  - The key individuals on your proposed implementation team;
  - The key individual assigned to overall contract management;
  - The key dedicated individual or team members responsible for day-to-day account management and service;
  - The key individual responsible for provider contracting; and
  - The key individual responsible for provider relations if different than letter e. above.
  - Medical and/or pharmacy director assigned to NDPERS (as applicable)
19. Please provide the requested information for the functions that will be servicing NDPERS in the table below:

Area	Geographical Location(s) and Organization Name (if out-sourced)	Hours of Operation (Specify PST/CST/EST)	Is this service Outsourced? Yes or No? <i>If Yes, provide name of company to which the function is outsourced</i>
Member Service			<input type="checkbox"/> Yes <i>Specify Company Name:</i> <hr/> <input type="checkbox"/> No
Claims Processing			<input type="checkbox"/> Yes <i>Specify Company Name:</i> <hr/> <input type="checkbox"/> No

Area	Geographical Location(s) and Organization Name (if out-sourced)	Hours of Operation (Specify PST/CST/EST)	Is this service Outsourced? Yes or No? <i>If Yes, provide name of company to which the function is outsourced</i>
Enrollment and Eligibility			<input type="checkbox"/> Yes <i>Specify Company Name:</i> _____ <input type="checkbox"/> No
Disease Management			<input type="checkbox"/> Yes <i>Specify Company Name:</i> _____ <input type="checkbox"/> No
Case and Utilization Management			<input type="checkbox"/> Yes <i>Specify Company Name:</i> _____ <input type="checkbox"/> No
Health, Education and Wellness Programs/Services (including dedicated wellness support staff)			<input type="checkbox"/> Yes <i>Specify Company Name:</i> _____ <input type="checkbox"/> No
HSA			<input type="checkbox"/> Yes <i>Specify Company Name:</i> _____ <input type="checkbox"/> No
Pharmacy Benefits Management			<input type="checkbox"/> Yes <i>Specify Company Name:</i> _____ <input type="checkbox"/> No
Other (Specify functional area)			<input type="checkbox"/> Yes <i>Specify Company Name:</i> _____ <input type="checkbox"/> No

### Communications and Website

20. Are you willing to provide communication and marketing resources to work with NDPERS in the development of NDPERS-specific member communication materials (educational, open enrollment, benefit plan related, ongoing communications)? Describe the resources, sample communications, and your proposed approach and strategy/plan.
21. How much lead time is necessary for you to guarantee that ID cards will be received by members prior to the plan year effective date of July 1, 2019?

22. Describe how you handle communications for the post-65 programs that you will offer to NDPERS retirees.
23. What reading grade level are your written and website communications written to? Are other languages available? What customization is allowed related to member communications?
24. Does your website provide NDPERS – Client specific plan information?
25. Does your website offer a provider locator? What additional information does your site provide?
26. Describe any additional web-based capabilities that could benefit NDPERS and our members.

### Plan Administration

27. Confirm that you will communicate legislative changes related to the operations of the plan in a timely manner, and describe the support staff and process. Provide examples of materials you have used in the past to educate your clients on legislative changes/updates.
28. Confirm your ability to conduct annual employer ACA contribution testing to ensure compliance with ACA and that a working paper of testing results will be prepared and shared with NDPERS.
29. Describe your proposed transition plan. At a minimum, the transition plan must address:
  - a. Conditions or type of care that is typically transitioned;
  - b. Individuals who are in a course of treatment or have prior authorizations or preapproval with the current vendor;
  - c. Transition process of current medical treatment;
  - d. Transition of individuals in disease management programs;
  - e. Communication of transition issues to all plan members.
  - f. Member cost sharing and accumulators.
  - g. Member secondary payer and Coordination Of Benefits information
  - h. Member Wellness incentive redemptions
30. Describe your process for Medicare Secondary Payer administration.
31. What is your total commercial and Medicare health plan enrollment? Complete the table below.

Dates	Commercial	Medicare
As of January 2016		
As of January 2017		
As of January 2018		

32. NDPERS is considering offering a Part G look-alike plan effective January 1, 2020. Please provide comment on considerations in making this decision including recommendations on closing the Part F look-alike and migrating participants or continuing to offer the Part G and allowing participants of Part F to elect participation in

the Part G. Also provide commentary on allowing new enrollees to enroll in Part F or Part G plan if both remain available.

### Eligibility

33. Are ID cards the sole means of determining member eligibility? If not, please describe.
34. If desired, can NDPERS update and maintain eligibility and check employee claim status online? Are there any special charges for access to and use of these tools? Please provide a sample ID and link to your site so NDPERS can review your system.
35. NDPERS will submit enrollments, billing and /or premium remittance via a centralized electronic system. NDPERS will collect enrollment/eligibility information which will be provided to the successful vendor on a data file that follows the HIPAA 834 file specifications. The indicative data provided on the 834 enrollment/eligibility file is to be loaded onto the successful vendor's data base and used for ID cards and all transactions/communications related to the member's participation in the plan. Premium payment information will be provided on a data file that follows the HIPAA 820 file specifications. Files will be transmitted using a secure file transmission process. The successful vendor must be able to receive this data in that format and media. Please confirm you agree to allow this, and outline any specific requirements you have related to submission of enrollment.
36. Please describe how you handle manual eligibility updates and the turn-around/timing of such updates.

### Customer/Member Service

37. Confirm if you will provide and maintain customer service staff acceptable to NDPERS. This unit will provide dedicated local and toll-free telephone numbers and shall respond directly to member inquiries regarding benefits, claim status, selecting participating providers, and provide general assistance with navigating on-line and other resources available through the health plan and NDPERS websites. Describe the structure and organization and provide an organizational chart of the unit you are proposing.
38. Provide information on the operational metrics given to the client related to customer services and how often these are provided.
39. Confirm the hours/days your customer/member service team is open for operations. How are calls handled that are received after hours (e.g. can member leave a voicemail?)
40. Does your organization have online support, where a member can chat online with a customer service representative, or email a question to your organization?
41. Will your organization identify a dedicated customer service/call center for the NDPERS account? If customer service/call center representatives are shared with other clients, on average, how many clients does one team service? What is the average length of service of the representatives?
42. Are your customer service screens and documentation notes integrated with service screens and documentation notes? Are they also integrated with any web-based customer service screen access that NDPERS may have? Please describe.
43. Does your customer service inquiry system allow representatives to record comments so other customer service representatives can view previous notes to assist members?

44. What is the location of your call center(s)? What call center(s) would be responsible for servicing NDPERS members?
45. Describe how you manage spikes in call volume.
46. How do you ensure that your representatives are providing timely and accurate information?
47. Provide your customer service goals and actual performance rates for your book of business for calendar year 2017 for the following:
  - Abandonment – What was the rate? How is this measured and confirmed? What was the average abandonment time?
  - Busy rate – What percent of calls received a busy signal? How is this measured and confirmed?
  - Time to answer – What was the average time to answer a call? What percent of calls took longer than 30 seconds to answer? What percent took longer than one minute? On average, what was the maximum wait time to speak with a representative?
  - First call resolution – How is this measured and confirmed? What percent of calls were resolved at first point of contact? What percent of calls were resolved with a return call within three days after the initial call?
48. Discuss your online services available to members, including details regarding information available through the portal.
49. Do you have a mobile app available to your members?

### Claims Administration

50. Provide the following information regarding the claims administration unit that will handle the NDPERS account. If there is more than one claims processing location, provide information for each.

	Claims Processing Unit
Address/Location	
Phone Numbers	
Days and Hours of Operation	
Number of Members Serviced	
Number of Employer Groups Serviced	
Ratio of Claims Unit Staff to Members Serviced	
Volume of Claims Processed Daily	

51. Will your organization identify a dedicated team of claims processors for the NDPERS account? If processors are shared with other clients, on average, how many clients does one team service? What is the average length of service of the claim processors?
52. Confirm that you are able to administer the NDPERS designs Dakota Plan (Grandfathered and Non-Grandfathered) and Dakota Retiree Plan, HDHP/HSA) and benefit levels without manual intervention. If you are unable to administer the plan, you must specify any plan design deviations proposed as specified in the RFP.
53. Describe your claims processing system/platform and claims administration process. Are you expecting to have any system upgrades over the course of this contract?
54. How do you determine reasonable and customary ("R&C") charge allowances? What methodology is used (e.g. FAIR, Medicare)? What percentile is used? How often are R&C schedules updated?
55. Are EOBs provided to each dependent for their services and mailed to the subscriber's address on file unless a request has been made by the dependent for an alternative mailing address?
56. Are your EOBs customizable for the NDPERS plan?
57. What is your frequency and method of distribution of EOBs?
58. Provide information on the operational metrics given to the client related to claims processing and how often these are provided.

#### **Medical Information Technology**

59. Describe your options for external system connectivity and data transfer including web enabled services/technology.
60. Describe your privacy protection and data security standards (e.g., HIPAA, PHI). Describe certifications and other external audits. Describe the test criteria used to ensure the standards are met. Can you supply the results? Have you completed external ethical hacking tests?
61. Are there any major system enhancements or conversions planned or being considered within the next 36 months? How are regulatory items managed in the release process? For packaged applications, what is the process and duration to upgrade a vendor release to the released version? What is the process used to maintain operating systems? What is the potential impact on NDPERS implementation?
62. Describe your business continuity and disaster recovery plans for internet, eligibility, claims process and information management (data warehouse) systems. As part of the response, highlight any adjustments in the plan according to the magnitude and duration of the disaster (e.g., outages of one day, vs. a week, month, etc.).
63. Have you had any security breaches involving electronic protected health information or personal financial information? If so, what was the scope of the breach? Were disclosures made to affected individuals? What operations changes, if any, were implemented after the breach? Describe your capabilities to support management of PHI data. Do you have insurance to cover a breach?



64. Describe your levels of security utilized in the proposed system and how each addresses HIPAA security rules/regulations.

### Reporting

65. Confirm your ability to provide the reports described in the RFP and provide samples.
66. Describe your online reporting capabilities. Please describe the data/information and types of reports that can be accessed and downloaded from your online system.
67. Explain your ability to comply with the NDPERS current data warehouse arrangement by providing medical and pharmacy claims and enrollment data to NDPERS in a format agreed upon between you and NDPERS no less than monthly and within 3 months of award of contract.
68. Is your organization able to share information regarding wellness and disease management activities to be used in the data warehouse? If yes, what type of information is available?
69. Do you participate in the ND Health Information Network (NDHIN) reporting?

### Case/Utilization Management

70. Provide a brief overview of your utilization management programs, including pre-authorization, prior approval, concurrent review, discharge planning, and large case management.
71. Does your organization offer an advocacy program that members can utilize to help with coordinating/managing a newly diagnosed disease for themselves or another covered member?
72. What is the source of the criteria used for the following:
- a. Determining surgical necessity and whether a second opinion is required.
  - b. Determining approved length of stay.
  - c. What percentile of the data is used?
  - d. Approximately what percentages of review cases are referred to a physician because the initial review and attending physician cannot reach agreement on the proposed level of care?
  - e. Does this percentage vary between medical/surgical and psychiatric/substance abuse cases? If so, provide variances.

### Health Risk Management Programs

73. Indicate in the table below if you currently provide the care or disease management program listed, the number of members from ND-based employers currently enrolled, the cost per participant, and its accreditation status.

	Program	Number of Members Enrolled (ND)	Cost per Participant	Accredited? If so, indicate accrediting organization.
<input type="checkbox"/>	Arthritis			
<input type="checkbox"/>	Asthma			
<input type="checkbox"/>	Cancer			
<input type="checkbox"/>	Congestive Heart Failure			
<input type="checkbox"/>	COPD			
<input type="checkbox"/>	Depression			
<input type="checkbox"/>	Diabetes			
<input type="checkbox"/>	Low Back Pain			
<input type="checkbox"/>	Stress			
<input type="checkbox"/>	High Risk Pregnancy/ Prenatal Support			
<input type="checkbox"/>	Hypercholesterolemia			
<input type="checkbox"/>	Pain Management			
<input type="checkbox"/>	Renal Failure			
<input type="checkbox"/>	Tobacco Cessation			
<input type="checkbox"/>	Weight Management			
<input type="checkbox"/>	Other, please indicate:			

74. Briefly describe each of the programs currently offered and the cost of each program. Do you currently track and report specific clinical outcome measurements for each of the conditions for which care/disease management is offered? Please list them.
75. Are you willing to customize your care management/DM programs and services for NDPERS? If so, please explain and provide an example of a program you developed and utilized with another client. Include any ROI or outcome data that was measured on the effectiveness of the program.
76. Describe the programs offered to patients with rare and chronic diseases. Is this program outsourced? Who is the current vendor?
77. Describe in detail your ability to provide online wellness programs. Compare it to the existing program presently in the NDPERS program (see Exhibit 1). Specifically identify

any deviations from the existing program. Include any future enhancements that are planned, including planned date for roll-out of the new feature.

78. Describe Wellness incentives you offer. Compare and contrast that with the existing incentives. (see Exhibits 1 & 2).
79. Describe your ability to support NDPERS Wellness initiatives by providing the administrative services for:
  - a. Tobacco Cessation program (This program is coordinated with the ND Department of Health)
  - b. NDPERS Diabetes Program (About the Patient Program coordinated with the ND Pharmacy Assoc.)
  - c. Dedicated Wellness Program Consultant and Educators
  - d. Healthy Pregnancy program
  - e. New programs or mandates
  - f. Diabetes Prevention Program
  - g. \$250 Wellness Incentive with required tax reporting to employers
80. Describe your ability to support the employer based wellness program and the wellness benefit funding program. <https://ndpers.nd.gov/employers/employer-resources/employer-based-wellness/>

#### Network Accessibility and Disruption

81. We are requesting that vendors provide a GeoAccess network accessibility and disruption analysis outlining network access based on the access standards listed below separately by North Dakota County. If you are proposing a combination of owned and leased networks, please provide your results separately by network. This GeoAccess analysis must be provided for your proposed NDPERS network(s). A census file has been provided in Appendix E for your use.

Provider Type	Access
Primary Care Providers (family/general practice, pediatrics, internal medicine and OB/GYN)	2 providers within 30 miles
Specialists	2 providers within 30 miles
Hospitals	1 hospital within 50 miles

Please provide the GeoAccess summaries in the table below as well as back-up detail (**back-up detail in electronic submission only, no hard copies**) for employees who fall both within and outside the access standards. Your match should include all valid zip codes in each of the counties in North Dakota that your network serves and in which participants reside. In addition, you should include only open practices in your analysis.

Percent of NDPERS Employees Meeting the Access						
Provider Type	Family/ General Practice	Pediatrics	Internal Medicine	OB/GYN	Specialist s	Hospital
North Dakota						
County 1						
County 2						
County 3						
County 4						
County 5						
County 6						
County 7						
County 8						
County 9						
County 10						

82. Provide a listing or provider directory and link to the web for the provider networks you are proposing for NDPERS.
83. Identify and describe your national preferred provider organization.
84. Confirm your willingness to negotiate and maintain NDPERS-specific provider contracts to allow for cost control mechanisms and alignment of contract and plan years. Describe your process and approach for accomplishing this.
85. Does your organization offer telehealth visits? If so, please describe the network available, how services are billed, and provide general overview of program.
86. Does your organization offer any narrow or tiered networks? If so, please describe these network options including level of discount differences between the option and your traditional network.
87. Do you anticipate any significant provider contract changes for 2019? Describe any expected changes.

#### Cost, Quality, and Pay for Performance

88. Describe the programs and methodologies currently in place to gather and measure meaningful provider quality and efficiency data that can be shared with members.
89. Describe any online transparency tools you have available that members can access to view quality and/or cost information on your network providers. Provide access to this site. How updated is the information on the site?
90. Describe in detail the performance standards you currently have in place with your contracted physicians, provider groups, hospitals, and other providers. Outline the types of measures utilized, how you monitor and track these measures, how providers are held accountable, and how frequently the data is compiled and shared with the physicians and provider groups.
91. Describe your participation in pay-for-performance initiatives. To what extent do these activities impact the health care costs of NDPERS or claims incurred by its covered population? What % of your contracts are pay-for-performance? How is this likely to change in the next 2-3 years?

## Credentialing and Contracting

92. Briefly describe the initial credentialing process. How often are physician, hospital and other contracts (labs, imaging facilities, DME, home health care) reviewed?

## Reimbursement and Discounts

93. Provide the reimbursement methodologies (by percentage) agreed to in your contractual arrangements to reimburse inpatient and outpatient hospital services (e.g., discount from charges, case rate, per diem, global DRG, fee schedule, etc.).
94. Provide the reimbursement methodologies (by percentage) used to reimburse professional services (e.g., fee-for-service from billed charges, fee-for-service with discount, percent of RBRVS, capitation).
95. Provide your estimate of discounts from paid charges in North Dakota.
96. How often are your R&C databases updated? What data version of UCR are you using?
97. Do you negotiate discounts with non-network providers on a case-by-case basis? Please describe your negotiation process (including criteria used to determine when this will be done.) Do you charge for these special negotiations? If so, how is that charge assessed to NDPERS?
98. If a network physician directs a member to a non-network lab for services, how is that lab service paid?
99. If certain specialties (e.g. radiology or anesthesiology) or services (e.g. ambulance) are not represented in your network of providers, do you have the ability to pay these services as in-network if they were completed at an in-network facility?
100. Provide your estimate of percent of charges that will be processed in North Dakota under your network.

## Performance Standards and Guarantees

As described in Section I. Overview, of this RFP, health plan vendors are required to comply with performance standards and guarantees that include a financial incentive/forfeiture which is negotiated as part of the renewal process. See Appendix H for a copy of these performance standards and guarantees. You are required to offer your performance standards and guarantees for the board's consideration using Appendix H. It is a priority for the board to have a comprehensive set of standards and guarantees relating to this plan.

101. Please confirm you have completed Appendix H and confirm your willingness to comply with the performance standards and guarantees or provide suitable alternatives. Identify your process for measurement and audit availability. Identify any additional standards and metrics your organization would be willing to include.

## HDHP/HSA

102. Describe how your organization will administer the HSA option. What details are provided to individuals that select this option, the enrollment process, claim reimbursement options, limit monitoring, ability to accept employee pre- & post-tax contributions, record-keeping, fees, the name of the service vendor and any other applicable information.

### **Economy to be affected**

103. Please indicate if you will have an office in North Dakota and where most of the work on this contract will be done?
104. Please identify the number of employees you will employ in North Dakota pursuant to this contract.
105. Of your total administrative fee please estimate the amount that will be spent in North Dakota and the amount that will be spent outside the state.

### **Fiduciary Responsibility**

106. Confirm your organization will assume full fiduciary responsibility for claim determination.

### **Appeals Process**

107. Please describe your internal and external appeals process for fully insured plans.

## **Pharmacy Benefit Management**

**If you are proposing fully insured medical and carved-in pharmacy coverage the pharmacy section of this questionnaire (below) must be completed with responses from or regarding the PBM that will be administering pharmacy benefits**

### **Pharmacy Benefit Management Organization General Information**

108. Provide a brief description of your organization, including your company history, organizational structure, services provided, location of headquarters, and length of time you have been in business. Describe any significant historical or future organizational developments (acquisitions, mergers, change in subcontracted vendors, etc.).
109. Do you outsource any of your pharmacy benefit operations or business functions? If so, which functions and through what organization(s)? Please provide a list of all locations/countries where your outsourced functions take place.
110. Who manages these external relationships? How is performance monitored and audited and what is the frequency?
111. Describe how your organization differentiates itself from your competitors. Specifically, what makes your organization the best partner for NDPERS?
112. How will your organization strengthen the NDPERS value proposition in providing high quality, cost effective healthcare to individuals?

### **Pharmacy Benefit Account Management**

113. Provide an overview of how the NDPERS pharmacy benefit relationship will be managed, both strategically and on a day-to-day basis. Designate the names, titles, location, telephone numbers, and email addresses for the representatives listed below. For the account service individuals listed (b, c, d, and e below), provide brief biographical information, such as years of service with your company, experience as it

relates to this proposal, and the number of clients for which they perform similar services:

- a. The key individual representing your company during the proposal process;
  - b. The key individuals on your proposed implementation team;
  - c. The key dedicated individual or team members responsible for day-to-day account management and service;
114. Describe or provide samples of standard pharmacy benefit reports around cost and utilization.
115. Please provide the frequency of the reporting.

#### **Pharmacy Benefit Member Interface Services**

116. Are your pharmacy benefit customer service screens and documentation notes integrated with service screens and documentation notes? Are they also integrated with any web-based customer service screen access that NDPERS may have? Please describe.
117. Does your customer service inquiry system allow representatives to record comments so other customer service representatives can view previous notes to assist members?
118. What is the location of your pharmacy benefit call center(s)? What call center(s) would be responsible for servicing NDPERS members? Will you have a dedicated unit to NDPERS and dedicated phone lines and cost associated with this?
119. Describe how you manage spikes in call volume.
120. How do you ensure that your pharmacy benefit CSRs are providing timely and accurate information?
121. Does your website provide NDPERS – Client specific pharmacy benefit plan information?
122. Does your website offer a pharmacy locator? Does the site offer information on retail stores that are open 24 hours per day? What additional information does your site provide?
123. Can members see their prescription drug history on your website? Are less costly formulary alternatives recommended when reviewing drug history?
124. Describe the web-enabled pricing comparison tools available to your members. Is the information tailored to specific benefits of each client? For example, if a member has no co-pay obligation, it will not message that there is a lower cost alternative for the member.
125. Are you able to provide quarterly prescription EOBs to the members? Is there an additional cost for this service?
126. Does your web-enabled pricing comparison tool provide pricing detail by pharmacy?
127. How will you assist with notifying members when new benefits are implemented or formulary status of medication has changed?
128. Does your system have the capability to guide the CSRs to suggest lower cost alternatives including cross-class therapeutic opportunities?

129. Provide your customer service goals and actual performance rates for the pharmacy benefit management book of business for calendar year 2017 for the following:
- Abandonment – What was the rate? How is this measured and confirmed? What was the average abandonment time?
  - Busy rate – What percent of calls received a busy signal? How is this measured and confirmed?
  - Time to answer – What was the average time to answer a call? What percent of calls took longer than 30 seconds to answer? What percent took longer than one minute? On average, what was the PBM's maximum wait time to speak with a pharmacist?
  - First call resolution – How is this measured and confirmed? What percent of calls were resolved at first point of contact? What percent of calls were resolved with a return call within five days after the initial call?
130. Are ID cards the sole means of determining member eligibility at the pharmacy? If not, please describe.
131. Provide samples of communication material and welcome packets.

#### **Pharmacy Benefit Claims Processing and Operations**

132. What is your process for handling disputed claims in the pharmacy benefit?
133. How do you track plan benefit changes that occur? Please describe how you provide quality assurance for these changes.
134. If errors are identified in pricing or claims processing, how will NDPERS and its members be notified? How quickly will underpayments or overpayments be reconciled?
135. Please describe how you would allow compounded prescriptions to process and what NDCs and pricing are applied. What controls and flexibility do you have to control abnormally priced compound claims?
136. Can you electronically and accurately administer the following (at point of sale unless otherwise noted)? Describe each functionality:
- Include or exclude specific drug(s) or therapeutic category(ies) for individual members, and/or dependents
  - Step therapy protocols
  - Cluster (i.e., lock-in or lock-out) specific pharmacy(ies), pharmacy discounts, prescriber(s) and/or drug for a specific group and/or member
  - Administer copay variations including, but not limited to, percentage copays, percentage copays with a fixed dollar minimum and/or maximum per copay, tiered copays (e.g., distinct dollar amount for 30/60/90 day supply), generic copay for single source brand, brand copay for multi-source brand, different copay for a specific drug or drug class
  - Copay waivers and/or coupons
  - Separate generic and brand deductibles
  - Exclude specific drugs and/or drug classes from deductible, benefit or out-of-pocket maximums



- Process OTC products
- Medication quantity limits per specified period of time and/or per copay separately as appropriate for retail and mail service programs
- Integrated medical/prescription drug accumulators
- Employ edits for drug-to-drug interactions for scripts that are filled at different pharmacies for the same person?
- Track and administer maximum benefits for specific drugs/classes

137. Audit services:

- a. What audit functionality exists to ensure that claims are being paid accurately? Include both prospective and retrospective programs that focus on overpayments (inappropriately paid claims), fraud, waste and abuse.
- b. How often do you audit the accuracy of plan pricing and overall adjudication accuracy? Please describe this process, and provide a copy of your most recent SSAE 18 report.
- c. What is the average drug cost savings achieved?
- d. NDPERS requires an unfettered right regarding the selection of an auditor (no PBM input or sign-off) to perform its audit functions of the pharmacy benefit manager, pharmacy or downstream contractors. Please note any issues or concerns that your organization may have with this requirement.
- e. Once claims are archived, what is the retrieval timeframe if needed for an audit?

### Pharmacy Benefit Information Technology

138. Describe your options for external system connectivity and data transfer including web enabled services/technology.
139. Describe your privacy protection and data security standards (e.g., HIPAA, PHI). Describe certifications and other external audits. Describe the test criteria used to ensure the standards are met. Can you supply the results? Have you completed external ethical hacking tests?
140. Are there any major system enhancements or conversions planned or being considered within the next 36 months? How are regulatory items managed in the release process? For packaged applications, what is the process and duration to upgrade a vendor release to the released version? What is the process used to maintain operating systems? What is the potential impact on NDPERS implementation?
141. Describe your business continuity and disaster recovery plans for internet, eligibility, claims process and information management (data warehouse) systems. As part of the response, highlight any adjustments in the plan according to the magnitude and duration of the disaster (e.g., outages of one day, vs. a week, month, etc.).
142. Have you had any security breaches involving electronic protected health information or personal financial information? If so, what was the scope of the breach? Were disclosures made to affected individuals? What operations changes, if any, were implemented after the breach? Describe your capabilities to support management of PHI data.

143. Describe your levels of security utilized in the proposed system and how each addresses HIPAA security rules/regulations.

### Formulary

144. Please indicate which formulary is being proposed for NDPERS?
145. How frequently in your proposed formulary updated?
146. Are there any limitations on formularies in terms of number of tiers, ability to use a mixture of co-pays and co-insurance, and utilization management protocol? If so please describe?
147. Will you provide a dedicated pharmacist as a point of contact? Is there any additional cost for this service?
148. What online formulary capabilities do you employ?
149. Please describe formulary alternatives available to NDPERS? How do you notify/advise clients of new drugs in the pipeline and potential budget impact as well as benefit design implications?

### Pharmacy Benefit Clinical Management

150. Describe your clinical programs for managing high cost, high risk populations including but not limited to:
- Cystic Fibrosis
  - Cholesterol
  - Diabetes
  - Growth Deficiency
  - Hemophilia
  - Hepatitis C
  - HIV
  - Inflammatory conditions (e.g. Rheumatoid arthritis)
  - Medical reconciliation post discharge
  - Multiple Scleroses
  - Oncology
  - Pulmonary Conditions
151. Do you align your performance measurement with any of the national quality measures (e.g. HEDIS)?
152. Do you offer point of service pharmacist intervention programs? If yes,
- Are Pharmacists reimbursed for these programs? What is the reimbursement? Are contracts in place for certain network vendors? For all vendors?
  - How do you audit or ensure quality of care delivered to members via these programs?
  - What outcomes can you show for these interventions?

- Describe your programs for direct pharmacist intervention with members. Are these limited to members utilizing mail service? If so, can they be expanded to include retail? Is there charge? If so, what is the fee?
153. Describe all programs related to:
    - Identification and management of potential abuse by members, providers and pharmacies
    - Assessing over and under prescribing by doctors, identification of potential fraud
  154. Describe the steps taken when a potential adverse drug interaction is identified at a retail or mail pharmacy. How often are the interactions updated? Can they be customized? Can the plan control the universe of active drug-drug interactions by level of severity?
  155. What reports and/or services do you provide to clients to evaluate volume, type, and outcome of drug interaction hits?
  156. Does your Retrospective DUR (RDUR) Program target physicians and members? How do you notify physicians and members?
  157. What actions would you recommend taking in the pharmacy benefit so that we can recognize significant cost savings?
  158. What actions are you doing in the specialty drug arena to control costs?
  159. Explain measures at all levels (member, pharmacist, provider) you are taking related to the opioid crisis and monitoring/limiting access to opioid medications?
  160. Are you able to support the NDPERS About the Patient Diabetes Program (drug adherence program)?

### Pharmacy Network

161. List the name of your proposed network and the number of retail pharmacies that participate in North Dakota and nationally (please include map of ND pharmacies, Geo access)
162. What is the frequency of pharmacy contract renegotiation and renewal? Does NDPERS have the ability to negotiate contracts for those pharmacy providers that are not currently in the PBM network?
163. Please describe other network options available to NDPERS and estimate the savings (as a % of gross plan cost) that NDPERS could realize should they implement the alternative network
164. What flexibility would you provide in evaluating narrower network opportunities to achieve enhanced discounts for NDPERS in the near future?
165. Describe any compensation or incentive programs you offer to retail pharmacies to influence the types of drug dispensed.
166. What incentives are offered to encourage generic dispensing and utilization?
167. Please describe your quality assurance process for network contracting and credentialing.
168. Please explain your strategies to address Any Willing Provider laws, both in regard to retail network and specialty.

169. Do you have a specialty network? Please describe the processes and standards that are required for entry.
170. What does your network reporting package include? Please provide a sample report.
171. Do you have multiple MAC lists? Are they pass-through or marked-up? NDPERS requires that the PBM maintain a comprehensive MAC list for its business: 1 MAC available for medications purchased via Mail and 1 MAC for Retail, can the PBM comply?
172. Will you allow 90-day at retail? Describe your 90-day retail network and potential cost savings to NDPERS.
173. Discuss your variance in North Dakota for your 30-day retail network vs your 90-day network, if applicable.
174. How are members able to track their orders at mail?
175. How long will you hold a prescription that requires an intervention before returning, filling, or calling members at mail?
176. What are the operating hours of the mail centers?
177. What is protocol if mail center does not have a drug in stock?
178. Does your mail order operation have error tracking capabilities and reporting on a client specific basis?
179. Will postage increases be charged to NDPERS?
180. Does your mail service pharmacy perform any interventions that are not performed in retail or are the interventions the same?
181. Confirm you offer expedited delivery of mail order prescriptions.

## Implementation

Pharmacy related implementation detail should be included in along with the medical section of your response

## Financial

**NOTE: Submit your pricing proposal separately from that of your technical proposal using Appendix D1.**

182. How are the value of rebates accounted for in a fully-insured contract? Are you willing to pass rebates through to the client under a fully-insured contract?
183. Please discuss if your proposal and proposed PBM will agree to the preference criteria relating to “transparent/Traditional PBM on page 18 and PBM audits on page 19 of the general RFP document. If not please explain.

## Appendix C2. Self-Insured Medical Questionnaire

In order for your proposal to be considered and accepted, your organization must provide answers to the questions presented in this section. Each question must be answered specifically and in detail. Include both the question and the answer in your proposal response. An electronic copy of this questionnaire has been provided to facilitate your response.

**This questionnaire must be completed if your organization is proposing self-insured medical plan administration for NDPERS.**

Appendix C1 must be completed for fully insured medical/Pharmacy bids and Appendix C3 must be completed for self-insured pharmacy bids.

Reference should not be made to a prior response unless the question involved specifically provides such an option. Proposers should refer to the earlier sections of this RFP before responding to any of the questions, to ensure that you have a complete understanding of the requirements with respect to your organization's proposal.

Vendors may include additional information that you consider relevant or useful to NDPERS. However, responses to all of the questions set forth below must be provided.

If this proposal results in your company being awarded a contract and if, in the preparation of that contract, there are inconsistencies between what was proposed and accepted versus the contract language that has been generated and executed, any controversy arising over such discrepancy will be resolved in favor of the language contained in the proposal or correspondence relating to your proposal. Vendors are reminded that **any and all deviations must be clearly identified and described in the RFP and the deviations worksheet provided in Appendix F.**

The questionnaire is broken down into the following categories:

### **General and Medical**

- Organizational Background, Strength, and Experience
- References
- Implementation and Account Management
- Communications and Website
- Plan Administration
- Eligibility
- Customer/Member Service
- Claims Administration
- Medical Information Technology
- Reporting
- Case/Utilization Management
- Health Risk Management Programs
- Network Accessibility and Disruption
- Cost, Quality, and Pay for Performance
- Credentialing and Contracting
- Reimbursements and Discounts
- Performance Standards and Guarantees
- HDHP/HSA
- Economy to be affected

- Fiduciary Responsibility
- Appeals Process

## Organizational Background, Strength, and Experience

1. Provide a brief description of your organization, including your company history, organizational structure, services provided, location of headquarters, and length of time you have been in business. Describe any significant historical or future organizational developments (acquisitions, mergers, change in subcontracted vendors, etc.).
2. Vendors responding to this RFP must be able to substantiate their financial stability. Provide a copy of your audited financial statement or other financial information. Include, at a minimum, a Balance Sheet and a Profit and Loss Statement, together with the name and address of the bank(s) with which you conduct business and the public accounting firm(s) that audit your financial statements. Other sufficient information may include a written statement from a financial institution confirming the creditworthiness and financial stability of the vendor.
3. Provide a copy of any State or Federal regulatory audit performed within the last two years.
4. Confirm that your organization agrees to be accountable for everything stated in and submitted as part of your proposal, even if not specifically addressed in the Minimum Contract Provisions in Appendix B
5. Indicate whether your company has ever been or is currently a party to litigation regarding a medical benefit plan contract or agreement, or data security breach. If so, provide details of the litigation or action. Failure to disclose this may constitute grounds for rejection of any proposal or termination of any contract.
6. State whether the vendor, its officers, agents or employees, who are expected to perform services under the NDPERS contract, have been disciplined, admonished, warned, or had a license, registration, charter, certification, or any similar authorization to do business suspended or revoked for any reason.
7. Include a description of your organization's major short term strategic initiatives and your long term strategic business plan. Specifically address cost containment efforts, providing specific examples of how you have made changes that resulted in savings for your clients.
8. Describe how your organization differentiates itself from your competitors. Specifically, what makes your organization the best partner for NDPERS?
9. Identify all services that are currently outsourced or subcontracted, the name of the vendor/partner, and length of the relationship and the nature of the long term partnership (eg: are the contracts expected to expire during the course of this contract). Describe how you ensure quality customer service and timely and effective issue resolution.
10. What ratings have you received from the following third party rating companies and organizations?

Rating Organization	Rating	Date of Last Accreditation / Rating
A.M. Best		
Standard & Poor's		

Moody's		
NCQA (by product)		
JCAHO		
URAC		

11. Are any of the services you are proposing to provide to NDPERS contracted outside the U.S.A? Describe any business you do outside the U.S.A. and the financial impact, if any, of requiring those services to be provided within the U.S.A.
12. Confirm that your proposal includes any and all deviations to the Sample Contract/ASA and other RFP requirements (via submission of Appendix F).
13. Confirm that you will conform to the Patient Protection and Affordable Care Act and the Health Care and Education Reconciliation Act of 2010. Describe any provisions that NDPERS must be prepared to comply with beginning July 1, 2019.
14. Have there been any mergers or acquisitions in the prior 24 months? If so, how will those deals impact NDPERS?

## References

15. Provide the following information on a maximum of three (3) of your largest plan clients for whom you provide services similar to those proposed in this proposal. References of similar size and scope to NDPERS are preferred; one must be your largest public sector client and one must be your largest North Dakota-based client.
  - a. Name of employer sponsoring plan and location
  - b. Type of services provided to plan sponsor
  - c. Plan inception date
  - d. Length of time as client
  - e. Number of contracts and members participating in the plan
  - f. Contact information (name, title, phone number, email address)
16. Provide the following information for two (2) of your largest clients that have terminated services during the preceding 3-year period. References of similar size and scope to NDPERS are preferred.
  - a. Name of employer sponsoring plan and location
  - b. Type of services provided to plan sponsor
  - c. Plan inception date
  - d. Length of time as client
  - e. Number of contracts and members participating in the plan
  - f. Reason for termination
  - g. Contact information (name, title, phone number, email address)



## Implementation and Account Management

17. Vendors must outline in detail the specific activities and tasks necessary to implement the NDPERS program. Be specific with regard to the following:
- Amount of total time needed to effectively implement the program
  - Activities/tasks and corresponding timing (Detailed Timeline)
  - Responsible parties and amount of time dedicated to implementation, broken out by vendor, current vendor and NDPERS staff
  - Any transition activities required with incumbent carriers, including data transfers and providing members adequate notice regarding current care or treatment plans at least 60 days prior to a change
  - Length of time implementation team lead and members will be available to NDPERS
18. Provide an overview of how the NDPERS relationship will be managed, both strategically and on a day-to-day basis. Include an organizational chart. NDPERS will give preference to vendors who are willing to assign a dedicated account management team and provide access to senior leadership. Designate the names, titles, location, telephone numbers, and email addresses for the representatives listed below. For the account service individuals listed (b, c, d, and e below), provide brief biographical information, such as years of service with your company, experience as it relates to this proposal, and the number of clients for which they perform similar services.
- The key individual representing your company during the proposal process;
  - The key individuals on your proposed implementation team;
  - The key individual assigned to overall contract management;
  - The key dedicated individual or team members responsible for day-to-day account management and service;
  - The key individual responsible for provider contracting; and
  - The key individual responsible for provider relations if different than letter e. above.
  - Medical and/or pharmacy director assigned to NDPERS (as applicable)
19. Please provide the requested information for the functions that will be servicing NDPERS in the table below:

Area	Geographical Location(s) and Organization Name (if out-sourced)	Hours of Operation (Specify PST/CST/EST)	Is this service Outsourced? Yes or No? <i>If Yes, provide name of company to which the function is outsourced</i>
Member Service			<input type="checkbox"/> Yes <i>Specify Company Name:</i> <hr/> <input type="checkbox"/> No
Claims Processing			<input type="checkbox"/> Yes <i>Specify Company Name:</i> <hr/> <input type="checkbox"/> No

Area	Geographical Location(s) and Organization Name (if out-sourced)	Hours of Operation (Specify PST/CST/EST)	Is this service Outsourced? Yes or No? <i>If Yes, provide name of company to which the function is outsourced</i>
Enrollment and Eligibility			<input type="checkbox"/> Yes <i>Specify Company Name:</i> _____ <input type="checkbox"/> No
Disease Management			<input type="checkbox"/> Yes <i>Specify Company Name:</i> _____ <input type="checkbox"/> No
Case and Utilization Management			<input type="checkbox"/> Yes <i>Specify Company Name:</i> _____ <input type="checkbox"/> No
Health, Education and Wellness Programs/Services (including dedicated wellness support staff)			<input type="checkbox"/> Yes <i>Specify Company Name:</i> _____ <input type="checkbox"/> No
HSA			<input type="checkbox"/> Yes <i>Specify Company Name:</i> _____ <input type="checkbox"/> No
Pharmacy Benefits Management			<input type="checkbox"/> Yes <i>Specify Company Name:</i> _____ <input type="checkbox"/> No
Other (Specify functional area)			<input type="checkbox"/> Yes <i>Specify Company Name:</i> _____ <input type="checkbox"/> No

### Communications and Website

20. Are you willing to provide communication and marketing resources to work with NDPERS in the development of NDPERS-specific member communication materials (educational, open enrollment, benefit plan related, ongoing communications)? Describe the resources, sample communications, and your proposed approach and strategy/plan.
21. How much lead time is necessary for you to guarantee that ID cards will be received by members prior to the plan year effective date of July 1, 2019?

22. Describe how you handle communications for the post-65 programs that you will offer to NDPERS retirees.
23. What reading grade level are your written and website communications written to? Are other languages available? What customization is allowed related to member communications?
24. Does your website provide NDPERS – Client specific plan information?
25. Does your website offer a provider locator? What additional information does your site provide?
26. Describe any additional web-based capabilities that could benefit NDPERS and our members.

### Plan Administration

27. Confirm that you will communicate legislative changes related to the operations of the plan in a timely manner, and describe the support staff and process. Provide examples of materials you have used in the past to educate your clients on legislative changes/updates.
28. Confirm your ability to conduct annual employer ACA contribution testing to ensure compliance with ACA and that a working paper of testing results will be prepared and shared with NDPERS.
29. Describe your proposed transition plan. At a minimum, the transition plan must address:
  - a. Conditions or type of care that is typically transitioned;
  - b. Individuals who are in a course of treatment or have prior authorizations or preapproval with the current vendor;
  - c. Transition process of current medical treatment;
  - d. Transition of individuals in disease management programs;
  - e. Communication of transition issues to all plan members.
  - f. Member cost sharing and accumulators.
  - g. Member secondary payer and Coordination Of Benefits information
  - h. Member Wellness incentive redemptions
30. Describe your process for Medicare Secondary Payer administration.
31. What is your total commercial and Medicare health plan enrollment? Complete the table below.

Dates	Commercial	Medicare
As of January 2016		
As of January 2017		
As of January 2018		

32. Please describe your standard (or proposed) financial arrangements with NDPERS under a self-funded arrangement including but not limited to: account requirements and process for claim payment, frequency of reimbursement to the administrator for claims paid, methodology for funds transfers, required reserves in claim account, etc.

33. NDPERS is considering offering a Part G look-alike plan effective January 1, 2020. Please provide comment on considerations in making this decision including recommendations on closing the Part F look-alike and migrating participants or continuing to offer the Part G and allowing participants of Part F to elect participation in the Part G. Also provide commentary on allowing new enrollees to enroll in Part F or Part G plan if both remain available.

### Eligibility

34. Are ID cards the sole means of determining member eligibility? If not, please describe.
35. If desired, can NDPERS update and maintain eligibility and check employee claim status online? Are there any special charges for access to and use of these tools? Please provide a sample ID and link to your site so NDPERS can review your system.
36. NDPERS will submit enrollments via a centralized electronic system. NDPERS will collect enrollment/eligibility information which will be provided to the successful vendor on a data file that follows the HIPAA 834 file specifications. The indicative data provided on the 834 enrollment/eligibility file is to be loaded onto the successful vendor's data base and used for ID cards and all transactions/communications related to the member's participation in the plan. Files will be transmitted using a secure file transmission process. The successful vendor must be able to receive this data in that format and media. Please confirm you agree to allow this, and outline any specific requirements you have related to submission of enrollment.
37. Please describe how you handle manual eligibility updates and the turn-around/timing of such updates.

### Customer/Member Service

38. Confirm if you will provide and maintain customer service staff acceptable to NDPERS. This unit will provide dedicated local and toll-free telephone numbers and shall respond directly to member inquiries regarding benefits, claim status, selecting participating providers, and provide general assistance with navigating on-line and other resources available through the health plan and NDPERS websites. Describe the structure and organization and provide an organizational chart of the unit you are proposing.
39. Provide information on the operational metrics given to the client related to customer services and how often these are provided.
40. Confirm the hours/days your customer/member service team is open for operations. How are calls handled that are received after hours (e.g. can member leave a voicemail?)
41. Does your organization have online support, where a member can chat online with a customer service representative, or email a question to your organization?
42. Will your organization identify a dedicated customer service/call center for the NDPERS account? If customer service/call center representatives are shared with other clients, on average, how many clients does one team service? What is the average length of service of the representatives?
43. Are your customer service screens and documentation notes integrated with service screens and documentation notes? Are they also integrated with any web-based customer service screen access that NDPERS may have? Please describe.

44. Does your customer service inquiry system allow representatives to record comments so other customer service representatives can view previous notes to assist members?
45. What is the location of your call center(s)? What call center(s) would be responsible for servicing NDPERS members?
46. Describe how you manage spikes in call volume.
47. How do you ensure that your representatives are providing timely and accurate information?
48. Provide your customer service goals and actual performance rates for your book of business for calendar year 2017 for the following:
  - Abandonment – What was the rate? How is this measured and confirmed? What was the average abandonment time?
  - Busy rate – What percent of calls received a busy signal? How is this measured and confirmed?
  - Time to answer – What was the average time to answer a call? What percent of calls took longer than 30 seconds to answer? What percent took longer than one minute? On average, what was the maximum wait time to speak with a representative?
  - First call resolution – How is this measured and confirmed? What percent of calls were resolved at first point of contact? What percent of calls were resolved with a return call within three days after the initial call?
49. Discuss your online services available to members, including details regarding information available through the portal.
50. Do you have a mobile app available to your members?

### Claims Administration

51. Provide the following information regarding the claims administration unit that will handle the NDPERS account. If there is more than one claims processing location, provide information for each.

	Claims Processing Unit
Address/Location	
Phone Numbers	
Days and Hours of Operation	
Number of Members Serviced	
Number of Employer Groups Serviced	
Ratio of Claims Unit Staff to Members Serviced	

Volume of Claims Processed Daily	
-------------------------------------	--

52. Will your organization identify a dedicated team of claims processors for the NDPERS account? If processors are shared with other clients, on average, how many clients does one team service? What is the average length of service of the claim processors?
53. Confirm that you are able to administer the NDPERS designs Dakota Plan (Grandfathered and Non-Grandfathered) and Dakota Retiree Plan, HDHP/HSA) and benefit levels without manual intervention. If you are unable to administer the plan, you must specify any plan design deviations proposed as specified in the RFP.
54. Describe your claims processing system/platform and claims administration process. Are you expecting to have any system upgrades over the course of this contract?
55. How do you determine reasonable and customary ("R&C") charge allowances? What methodology is used (e.g. FAIR, Medicare)? What percentile is used? How often are R&C schedules updated?
56. Are EOBs provided to each dependent for their services and mailed to the subscriber's address on file unless a request has been made by the dependent for an alternative mailing address?
57. Are your EOBs customizable for the NDPERS plan?
58. What is your frequency and method of distribution of EOBs?
59. Provide information on the operational metrics given to the client related to claims processing and how often these are provided.

### Medical Information Technology

60. Describe your options for external system connectivity and data transfer including web enabled services/technology.
61. Describe your privacy protection and data security standards (e.g., HIPAA, PHI). Describe certifications and other external audits. Describe the test criteria used to ensure the standards are met. Can you supply the results? Have you completed external ethical hacking tests?
62. Are there any major system enhancements or conversions planned or being considered within the next 36 months? How are regulatory items managed in the release process? For packaged applications, what is the process and duration to upgrade a vendor release to the released version? What is the process used to maintain operating systems? What is the potential impact on NDPERS implementation?
63. Describe your business continuity and disaster recovery plans for internet, eligibility, claims process and information management (data warehouse) systems. As part of the response, highlight any adjustments in the plan according to the magnitude and duration of the disaster (e.g., outages of one day, vs. a week, month, etc.).
64. Have you had any security breaches involving electronic protected health information or personal financial information? If so, what was the scope of the breach? Were

disclosures made to affected individuals? What operations changes, if any, were implemented after the breach? Describe your capabilities to support management of PHI data. Do you have insurance to cover a breach?

65. Describe your levels of security utilized in the proposed system and how each addresses HIPAA security rules/regulations.

### Reporting

66. Confirm your ability to provide the reports described in the RFP and provide samples.
67. Describe your online reporting capabilities. Please describe the data/information and types of reports that can be accessed and downloaded from your online system.
68. Explain your ability to comply with the NDPERS current data warehouse arrangement by providing medical claims and enrollment data to NDPERS in a format agreed upon between you and NDPERS no less than monthly and within 3 months of award of contract.
69. Is your organization able to share information regarding wellness and disease management activities to be used in the data warehouse? If yes, what type of information is available?
70. Do you participate in the ND Health Information Network (NDHIN) reporting?

### Case/Utilization Management

71. Provide a brief overview of your utilization management programs, including pre-authorization, prior approval, concurrent review, discharge planning, and large case management.
72. Does your organization offer an advocacy program that members can utilize to help with coordinating/managing a newly diagnosed disease for themselves or another covered member?
73. What is the source of the criteria used for the following:
- a. Determining surgical necessity and whether a second opinion is required.
  - b. Determining approved length of stay.
  - c. What percentile of the data is used?
  - d. Approximately what percentages of review cases are referred to a physician because the initial review and attending physician cannot reach agreement on the proposed level of care?
  - e. Does this percentage vary between medical/surgical and psychiatric/substance abuse cases? If so, provide variances.

### Health Risk Management Programs

74. Indicate in the table below if you currently provide the care or disease management program listed, the number of members from ND-based employers currently enrolled, the cost per participant, and its accreditation status.

	Program	Number of Members Enrolled (ND)	Cost per Participant	Accredited? If so, indicate accrediting organization.
<input type="checkbox"/>	Arthritis			
<input type="checkbox"/>	Asthma			
<input type="checkbox"/>	Cancer			
<input type="checkbox"/>	Congestive Heart Failure			
<input type="checkbox"/>	COPD			
<input type="checkbox"/>	Depression			
<input type="checkbox"/>	Diabetes			
<input type="checkbox"/>	Low Back Pain			
<input type="checkbox"/>	Stress			
<input type="checkbox"/>	High Risk Pregnancy/ Prenatal Support			
<input type="checkbox"/>	Hypercholesterolemia			
<input type="checkbox"/>	Pain Management			
<input type="checkbox"/>	Renal Failure			
<input type="checkbox"/>	Tobacco Cessation			
<input type="checkbox"/>	Weight Management			
<input type="checkbox"/>	Other, please indicate:			

75. Briefly describe each of the programs currently offered and the cost of each program. Do you currently track and report specific clinical outcome measurements for each of the conditions for which care/disease management is offered? Please list them.
76. Are you willing to customize your care management/DM programs and services for NDPERS? If so, please explain and provide an example of a program you developed and utilized with another client. Include any ROI or outcome data that was measured on the effectiveness of the program.
77. Describe the programs offered to patients with rare and chronic diseases. Is this program outsourced? Who is the current vendor?
78. Describe in detail your ability to provide online wellness programs. Compare it to the existing program presently in the NDPERS program (see Exhibit 1). Specifically identify



any deviations from the existing program. Include any future enhancements that are planned, including planned date for roll-out of the new feature.

79. Describe Wellness incentives you offer. Compare and contrast that with the existing incentives. (see Exhibits 1 & 2).
80. Describe your ability to support NDPERS Wellness initiatives by providing the administrative services for:
  - a. Tobacco Cessation program (This program is coordinated with the ND Department of Health)
  - b. NDPERS Diabetes Program (About the Patient Program coordinated with the ND Pharmacy Assoc.)
  - c. Dedicated Wellness Program Consultant and Educators
  - d. Healthy Pregnancy program
  - e. New programs or mandates
  - f. Diabetes Prevention Program
  - g. \$250 Wellness Incentive with required tax reporting to employers
81. Describe your ability to support the employer based wellness program and the wellness benefit funding program. <https://ndpers.nd.gov/employers/employer-resources/employer-based-wellness/>

#### Network Accessibility and Disruption

82. We are requesting that vendors provide a GeoAccess network accessibility and disruption analysis outlining network access based on the access standards listed below separately by North Dakota County. If you are proposing a combination of owned and leased networks, please provide your results separately by network. This GeoAccess analysis must be provided for your proposed NDPERS network(s). A census file has been provided in Appendix E for your use.

Provider Type	Access
Primary Care Providers (family/general practice, pediatrics, internal medicine and OB/GYN)	2 providers within 30 miles
Specialists	2 providers within 30 miles
Hospitals	1 hospital within 50 miles

Please provide the GeoAccess summaries in the table below as well as back-up detail (**back-up detail in electronic submission only, no hard copies**) for employees who fall both within and outside the access standards. Your match should include all valid zip codes in each of the counties in North Dakota that your network serves and in which participants reside. In addition, you should include only open practices in your analysis.

Percent of NDPERS Employees Meeting the Access						
Provider Type	Family/ General Practice	Pediatrics	Internal Medicine	OB/GYN	Specialist s	Hospital
North Dakota						
County 1						
County 2						
County 3						
County 4						
County 5						
County 6						
County 7						
County 8						
County 9						
County 10						

83. Provide a listing or provider directory and link to the web for the provider networks you are proposing for NDPERS.
84. Identify and describe your national preferred provider organization.
85. Confirm your willingness to negotiate and maintain NDPERS-specific provider contracts to allow for cost control mechanisms and alignment of contract and plan years. Describe your process and approach for accomplishing this.
86. Does your organization offer telehealth visits? If so, please describe the network available, how services are billed, and provide general overview of program.
87. Does your organization offer any narrow or tiered networks? If so, please describe these network options including level of discount differences between the option and your traditional network.
88. Do you anticipate any significant provider contract changes for 2019? Describe any expected changes.

#### Cost, Quality, and Pay for Performance

89. Describe the programs and methodologies currently in place to gather and measure meaningful provider quality and efficiency data that can be shared with members.
90. Describe any online transparency tools you have available that members can access to view quality and/or cost information on your network providers. Provide access to this site. How updated is the information on the site?
91. Describe in detail the performance standards you currently have in place with your contracted physicians, provider groups, hospitals, and other providers. Outline the types of measures utilized, how you monitor and track these measures, how providers are held accountable, and how frequently the data is compiled and shared with the physicians and provider groups.
92. Describe your participation in pay-for-performance initiatives. To what extent do these activities impact the health care costs of NDPERS or claims incurred by its covered population? What % of your contracts are pay-for-performance? How is this likely to change in the next 2-3 years?

### **Credentialing and Contracting**

93. Briefly describe the initial credentialing process. How often are physician, hospital and other contracts (labs, imaging facilities, DME, home health care) reviewed?

### **Reimbursement and Discounts**

94. Provide the reimbursement methodologies (by percentage) agreed to in your contractual arrangements to reimburse inpatient and outpatient hospital services (e.g., discount from charges, case rate, per diem, global DRG, fee schedule, etc.).
95. Provide the reimbursement methodologies (by percentage) used to reimburse professional services (e.g., fee-for-service from billed charges, fee-for-service with discount, percent of RBRVS, capitation).
96. Provide your estimate of discounts from paid charges in North Dakota.
97. How often are your R&C databases updated? What data version of UCR are you using?
98. Do you negotiate discounts with non-network providers on a case-by-case basis? Please describe your negotiation process (including criteria used to determine when this will be done.) Do you charge for these special negotiations? If so, how is that charge assessed to NDPERS?
99. If a network physician directs a member to a non-network lab for services, how is that lab service paid?
100. If certain specialties (e.g. radiology or anesthesiology) or services (e.g. ambulance) are not represented in your network of providers, do you have the ability to pay these services as in-network if they were completed at an in-network facility?
101. Provide your estimate of percent of charges that will be processed in North Dakota under your network.

### **Performance Standards and Guarantees**

As described in Section I. Overview, of this RFP, health plan vendors are required to comply with performance standards and guarantees that include a financial incentive/forfeiture which is negotiated as part of the renewal process. See Appendix H for a copy of these performance standards and guarantees. You are required to offer your performance standards and guarantees for the board's consideration using Appendix H. It is a priority for the board to have a comprehensive set of standards and guarantees relating to this plan.

102. Please confirm you have completed Appendix H and confirm your willingness to comply with the performance standards and guarantees or provide suitable alternatives. Identify your process for measurement and audit availability. Identify any additional standards and metrics your organization would be willing to include.

### **HDHP/HSA**

103. Describe how your organization will administer the HSA option. What details are provided to individuals that select this option, the enrollment process, claim reimbursement options, limit monitoring, ability to accept employee pre- & post-tax contributions, record-keeping, fees, the name of the service vendor and any other applicable information.

### **Economy to be affected**

- 104. Please indicate if you will have an office in North Dakota and where most of the work on this contract will be done?
- 105. Please identify the number of employees you will employ in North Dakota pursuant to this contract.
- 106. Of your total administrative fee please estimate the amount that will be spent in North Dakota and the amount that will be spent outside the state.

### **Fiduciary Responsibility**

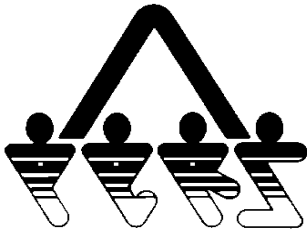
- 107. Confirm your organization will assume full fiduciary responsibility for claim determination.

### **Appeals Process**

- 108. Please describe your internal and external appeals process for self-insured plans.

## **Appendix C3 - Self-Insured Pharmacy questionnaire**

**Information to be  
sent out under  
separate cover**



**North Dakota**  
**Public Employees Retirement System**  
400 East Broadway, Suite 505 • Box 1657  
Bismarck, North Dakota 58502-1657

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# Memorandum

**TO:** NDPERS Board

**FROM:** Bryan

**DATE:** **August 3, 2018**

**SUBJECT:** OPEB Valuation Results

Attached is the OPEB Valuation results report. The report was done by Bolton. Bolton representatives will join the Board via conference call to review the results and answer any questions you may have.

As you may recall, a few sessions ago we proposed HB 1058, which passed. One provision of the bill was that PERS would no longer provide pre-Medicare retiree health insurance (except for Legislators). The OPEB valuation measures the liability to the employer for offering that coverage. As anticipated, those liabilities are decreasing.

**North Dakota Public Employees Retirement System  
Post-Retirement Medical**

**Actuarial Valuation  
as Required by GASB 75**

**Fiscal Years Ending  
June 30, 2018 and  
June 30, 2019**

Date of Report: July 23, 2018  
Prepared By: Bolton  
36 South Charles St.  
Suite 1000  
Baltimore, MD 21201

**Bolton**

*Submitted by:*

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July 23, 2018

Mr. Bryan T. Reinhardt  
Research & Planning Manager  
NDPERS  
400 E Bdwy, Suite 505  
Box 1657  
Bismarck, ND 58502

Dear Mr. Reinhardt:

This report provides the GASB 75 Annual Expense and disclosure information for the North Dakota Public Employees Retirement System fiscal year ending in 2018. Section 1 of the report provides an executive summary which includes the calculations needed for transition from GASB 45 to GASB 75. Sections 2 through 5 contain required disclosures, and summaries of plan provisions, valuation data, actuarial methods and assumptions. Section 6 provides a glossary of many of the terms used in this report. Appendix 4 provides the required disclosures for the fiscal year ending in 2019.

This report has been prepared for the North Dakota Public Employees Retirement System (NDPERS) for the purposes of complying with the GASB 75 accounting standard. It is neither intended nor necessarily suitable for other purposes. Bolton is not responsible for the consequences of any other use, nor the reliance upon this report by any other party.

In general, Post-retirement medical valuations are based on assumptions including the rate of interest and the rate of post-retirement medical increases. The report shows the impact of a 1 percent increase and a 1 percent decrease in the interest rate assumption and in the medical trend assumption (all years). Future actuarial measurements may differ significantly from the current measurements presented in this report, due to such factors as the following: plan experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period or additional cost or contribution requirements based on the plan's funded status); and changes in plan provisions, applicable law or accounting rules.

The report is based on July 1, 2017 census data. The census data and premium rate information were submitted by the NDPERS. We have not performed an audit on the data and have relied on this information for purposes of preparing this report.

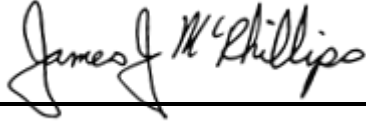
The actuarial methods and assumptions used in this report comply with GASB 75 and the actuarial standards of practice promulgated by the Actuarial Standards Board.



Bolton is completely independent of the North Dakota Public Employees Retirement System, its programs, activities, or any of its officers or key personnel. We and anyone closely associated with us does not have any relationship which would impair our independence on this assignment.

James McPhillips is a Member of the American Academy of Actuaries and meets the Qualification Standards of the American Academy of Actuaries to render the actuarial opinion contained in this report.

Respectfully submitted,



---

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## Section I. Executive Summary

### Background

In June 2015, the Government Accounting Standards Board (GASB) released Statement 75 which replaces the GAAP accounting standards for other post-employment benefits (OPEB) for *employer* accounting (GASB 45). GASB 75 applies to post-employment medical benefits that are provided to North Dakota Public Employees Retirement System retirees.

Under GASB 45 the Net OPEB Obligation was a liability on the NDPERS's financial statements. Under GASB 75 the entire unfunded actuarial accrued liability is now reported on the financial statements. There is no longer a Net OPEB Obligation. The annual expense is simply equal to the increase (decrease) in the unfunded actuarial accrued liability. To minimize expense volatility, some of the unexpected increase (decrease) is deferred.

This report determines the expense and disclosures under the GASB 75 standard for the North Dakota Public Employees Retirement System for FYE 2018.

The prior report was prepared under GASB 45 covering fiscal years ending in 2016 and 2017.

### OPEB Trust Arrangement

NDPERS has not set up a trust to prefund benefits and it is our understanding that there are no plans to establish an irrevocable trust.

### Funding Policy

NDPERS will pay benefits on a pay-as-you-go basis. Retired participants pay premiums to cover the explicit cost.

### Discount Rate Assumption

The discount rate used to determine the liabilities under GASB 75 depends upon the funding policy of NDPERS. The discount rate for governments that do not prefund is based on 20-year general obligation bond (GO bond) rates.

The discount rate assumption for disclosure purposes for FYE 2018 is 3.56%, the 20-year GO bond index as of 6/30/2017. The rate at the beginning of the year was 2.92%, the 20-year GO bond index as of 6/30/2016. The index rate is 3.62% as of June 30, 2018.

## Section I. Executive Summary

### Transition to GASB 75

Per paragraph 244 of GASB 75, the difference between the Net OPEB Obligation as of June 30, 2017 and the Unfunded Actuarial Accrued Liability as of the FYE 2017 measurement date (June 30, 2016) determined using a 2.92% rate should be reported as a restatement of the beginning net position. The actuarial cost method required by GASB 75 is the entry age normal cost method (EAN). Under GASB 45 the NDPERS used the projected unit credit cost method (PUC). The table below shows the transition calculation.

Development of beginning net position	
1. Estimated Net OPEB Obligation/(Asset) on 6/30/2017 (5.0%, PUC)	\$7,589,426
2. Unfunded Accrued Liability 6/30/2016 (2.92%, EAN)	\$5,035,371
3. Restatement of beginning net position (2.92%, EAN)	\$(2,554,055)

### Comparison with Previous Valuation

The prior valuation was based on June 1, 2015 data and completed on July 13, 2016. The OPEB liability decreased from \$6,947,393 for FYE 2016 measured as of 7/1/2016 to \$4,297,160 as of the current measurement date, 7/1/2017.

The following table compares the data and reconciles the expense.

Comparison of Current and Previous Valuations		
Participant data as of date	July 1, 2015	July 1, 2017
Measurement Date	July 1, 2016	July 1, 2017
Active employees eligible for a subsidy (Legislators)	135	138
Average Age	58.5	58.1
Average Service	22.5	9.4
Retirees receiving subsidy	883	219
Average Age	61.0	61.0
Actuarial Accrued Liability	\$6,947,393	\$4,297,160
Normal Cost	\$10,282	\$69,995

## Section I. Executive Summary

### Plan Provisions

A retiree who began receiving benefits prior to July 1, 2015 may continue coverage on the Dakota Plan following the expiration of COBRA. This coverage may continue until the retiree or their covered spouse becomes eligible for Medicare, at which time the Medicare eligible individual will be able to enroll in the Dakota Retiree Plan.

A retiree continuing coverage from active employment in the Dakota Plan can continue coverage for 18 months of COBRA. After COBRA ends, former Legislators are eligible for continuation of health coverage prior to Medicare eligibility if they have continuous coverage under the health plan. All other retirees who received their first retirement payment on or after July 1, 2015 and the retiree or their covered spouse is not eligible for Medicare, will need to find coverage outside of NDPERS until they or their spouse are Medicare eligible.

For Medicare eligible retirees the plan is a supplement plan to Medicare and requires any Medicare eligible individual to have both Parts A & B of Medicare to participate. The plan is a bundled with the Medicare Part D Prescription Drug Plan (PDP) and is not available as a stand-alone product.

Retiree health coverage continues to a surviving spouse upon the death of a retiree or active employee who is eligible to retire provided they are receiving a beneficiary benefit from the retirement plan. Surviving spouses of active employees who are not eligible to retire are eligible for COBRA benefits only.

### Demographic Data

Demographic data as of July 1, 2017 was provided to us by the NDPERS. This data included current medical coverage for current employees and retirees.

Because the census data is less than 24 months before the first day of fiscal year 2018 and 2019, it can be relied on to comply with GASB 75 for FYE 2018 and FYE 2019. Although we have not audited this data we have no reason to believe that it is inaccurate.

### Claims Data

The claims are based on age adjusted premiums. We received a file with details of the January 2018 NDPERS Health Rates for all plans and coverage options under Rate Structure A.

## Section I. Executive Summary

### Implicit Subsidy

The premium rates for participants prior to Medicare eligibility are based primarily on the healthcare usage of active employees. Since retirees use healthcare at a rate much higher than employees, using these blended rates creates an implicit subsidy for the retiree group. GASB 75 requires that the claims assumption we use for this valuation be based on the actual per-capita retiree cost. The difference between the actual usage of healthcare by retirees and the assumption built into the published rates is identified as the implicit subsidy amount. The impact on rates can be seen in Section 5.

### Demographic Assumptions

All employees are assumed to participate in the North Dakota Public Employees Retirement System. Demographic assumptions include active decrements for Legislators and mortality, with assumed improvement, for all participants.

Section 5 details the assumptions for electing coverage.

### Impact of Health Care Reform

We have adjusted the medical care trend due to the projected impact of the “Cadillac Tax”. The Cadillac Tax is one of the provisions of the Affordable Care Act (ACA) of 2010. The Cadillac Tax provision is effective in 2022. The Cadillac Tax only applies to plans that cost \$10,200 or more for an individual or \$27,500 per family. There will be a 40 percent excise tax for expenditures over these thresholds. The cost thresholds are indexed by general inflation each year after 2018. Because medical trends are projected to be higher than general inflation we would expect the percentage of the premium that is subject to the premium tax to increase over time.

There are other provisions of the ACA that could impact future costs. Some of the provisions (for example risk adjustment charges for plans that cover healthier populations) could increase costs, while others (for example, less uninsured care costs might be passed on to those with insurance) may reduce costs over time. Because the impact of these provisions is currently unclear, we have made no other adjustments to the medical care trend.

### Economic Assumptions

The interest rate assumption is based on the average 20-year Municipal General Obligation (GO) Bond rates as of the measurement date.

## Section I. Executive Summary

### Economic Assumptions (cont.)

The medical trend assumption was developed using the Society of Actuaries (SOA) Long-Run Medical Cost Trend Model baseline assumptions. The SOA Model was released in December 2007 and updated August 2017. The following baseline assumptions were used as input variables into this model.

Rate of Inflation	3.0%
Rate of Growth in Real Income / GDP per capita	1.6%
Extra Trend due to Technology and other factors	1.3%
Health Share of GDP Resistance Point	25.0%
Year for Limiting Cost Growth to GDP Growth	2075

### Changes in Assumptions Since Prior Valuation

The cost method was changed from Projected Unit Credit to Entry Age Normal with normal cost as a level percentage of payroll as required by GASB75.

The interest rate assumption was changed from 5.00% to a rate based on the average 20-year Municipal General Obligation (GO) Bond rates as of the measurement date. This rate is 2.92% as of June 30, 2016 and 3.56% as of June 30, 2017.

The medical trend rate was updated from an 8.0% increase in average costs and premiums in 2016, decreasing at a rate of 0.5% per year until the ultimate rate of 5.0% was reached. The new medical trend uses the SOA Long-Run Medical Cost Trend Model adjusted for the Cadillac Tax impact.

The mortality assumption was revised from RP-200 Combined Healthy Mortality Table set back two years for males and three years for females projected generationally using SSA 2014 Intermediate Cost scale from 2014 to RP-2014 using mortality improvement scale MP-2017.

The salary increase assumption was changed from 3.5% per year to 3.0% per year.

### Actuarial Certification

In preparing the valuation we relied on demographic and claims data provided by the North Dakota Public Employees Retirement System. We reviewed the data for reasonableness but did not audit the data. The actuarial methods and assumptions used in this report comply with GASB 75 and the actuarial standards of practice promulgated by the Actuarial Standards Board.

Future medical care cost increase rates are unpredictable and could be volatile. They will depend upon the economy, future health care delivery systems and emerging technologies. The trend rate selected is based on an economic model developed by a health care economist for the Society of Actuaries. Future medical trend increases could vary significantly from the model. Model inputs will be updated periodically based on the best estimate of the economy at that time. Small changes in the model inputs can result in actuarial losses or gains of 5 to 15 percent of liabilities.

James McPhillips is a Member of the American Academy of Actuaries and meets the Qualification Standards of the American Academy of Actuaries to render the actuarial opinion contained in this report.

## Section II. Required Disclosures

### Change in Net OPEB Liability - Required by GASB75

	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (a) - (b)
<b>Balance as of June 30, 2016 for FYE 2017</b>	\$5,035,371	\$0	\$5,035,371
Changes for the Year			
Service Cost	69,995		69,995
Interest	134,696	0	134,696
Changes of Benefit Terms	0		0
Experience Losses	0		0
Implicit Employer Premium Payments		844,968	(844,968)
Net Investment Income		0	0
Changes in Assumptions	(97,934)		(97,934)
Implicit Benefit Payments	(844,968)	(844,968)	0
Administrative Expense		0	0
Net Changes	<u>(738,211)</u>	<u>0</u>	<u>(738,211)</u>
<b>Balance as of June 30, 2017 for FYE 2018</b>	\$4,297,160	\$0	\$4,297,160
Funded Status		0.00%	



## Section II. Required Disclosures

### Sensitivity of Total and Net OPEB Liability - Required by GASB75

The following table presents North Dakota PERS's Total and Net OPEB liability. We also present the Total and Net OPEB liability if it is calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher.

	1% Decrease 2.56%	Discount Rate 3.56%	1% Increase 4.56%
Total OPEB Liability	\$4,453,107	\$4,297,160	\$4,154,714
Net OPEB Liability/(Asset)	\$4,453,107	\$4,297,160	\$4,154,714

The following table presents North Dakota PERS's Total and Net OPEB liability. We also present the Total and Net OPEB liability if it is calculated using a health care cost trend rate that is 1 percentage point lower or 1 percentage point higher. See Section 5 for the complete health care cost trend rate

	1% Decrease	Trend Rate	1% Increase
Total OPEB Liability	\$4,175,451	\$4,297,160	\$4,430,198
Net OPEB Liability/(Asset)	\$4,175,451	\$4,297,160	\$4,430,198

## Section II. Required Disclosures

### OPEB Expense - Required by GASB75 Only

1. Service Cost	\$69,995
2. Interest	134,696
3. Projected Earnings on OPEB Trust	0
4. OPEB Administrative Expense	0
5. Changes in Benefit Terms	0
6. Differences Between Expected and Actual Earnings	
In Current Fiscal Year Recognized in Current Year	0
From Past Years Recognized in Current Year	0
Total	0
7. Differences Between Expected and Actual Experience	
In Current Fiscal Year Recognized in Current Year	0
From Past Years Recognized in Current Year	0
Total	0
8. Changes in Assumptions	
In Current Fiscal Year Recognized in Current Year	(48,967)
From Past Years Recognized in Current Year	0
Total	(48,967)
9. Total OPEB Expense	<u>\$155,724</u>

## Section II. Required Disclosures

### Deferred Inflows/Outflows of Resources Related to OPEB - Required by GASB75

For the fiscal year ended June 30, 2018, North Dakota PERS recognized an OPEB expense of \$155,724. At June 30, 2018, North Dakota PERS reported deferred outflows of resources and deferred inflows of resources related to the OPEB plan from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ -
Changes of assumptions	-	48,967
Net difference between projected and actual earnings on OPEB plan investments	-	-
Employer contribution subsequent to measurement date	-	-
Total	<u>\$ -</u>	<u>\$ 48,967</u>

\$0 reported as deferred outflows of resources related to OPEB resulting from employer contributions subsequent to measurement date will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2019.

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the OPEB plan will be recognized in the expense as follows:

Measurement Period ended June 30:	
2018	\$ (48,967)
2019	-
2020	-
2021	-
2022	-
Thereafter	-



## Section II. Required Disclosures

### Schedule of Changes in the Total Liability and Related Ratios - Required by GASB75

Changes in Employer's Net OPEB Liability and Related Ratios  
Last 10 Fiscal Years

As of June 30 of Measurement Year

	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
<b>Total OPEB liability</b>										
Service Cost	\$ 69,995									
Interest Cost	134,696									
Changes in Benefit Terms	-									
Differences Between Expected and Actual Experience	-									
Changes of Assumptions	(97,934)	Information for prior years is not available since it was under GASB 45								
Implicit Benefit Payments	(844,968)									
Net Change in Total OPEB Liability	(738,211)									
Total OPEB liability - Beginning of Year	5,035,371									
Total OPEB Liability - End of Year	4,297,160									

Plan Fiduciary Net Position  
Last 10 Fiscal Years

As of June 30 of Measurement Year

	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Implicit Employer Premium Payments	\$ 844,968									
Net Investment Income	-									
Implicit Benefit Payments	(844,968)									
Administrative Expense	-									
Net Change in Fiduciary Net Position	-									
Fiduciary Net Position - Beginning of Year	-	Information for prior years is not available since it was under GASB 45								
Fiduciary Net Position - End of Year	-									
Net OPEB Liability	4,297,160									
Fiduciary Net Position as a % of Total OPEB Liability	0.00%									
Covered-Employee Payroll <sup>1</sup>										
Net OPEB Liability as a % of Payroll <sup>1</sup>										
Expected Average Remaining Service Years of All Participants	2									

Notes to Schedule:

Benefit changes: None.

Changes of assumptions: The discount rate was increased from 2.92% to 3.56%.

**Discount rate:**

6/30/2016	2.92%
6/30/2017	3.56%

<sup>1/</sup> Because this OPEB plan does not depend on salary, we do not have salary information.

## Section III. Summary of Principal Plan Provisions

### General Eligibility Rules

State Legislators are eligible for benefits upon retirement if they have continuous coverage under the health plan. Other employees of the North Dakota Public Employees Retirement System who were retired before July 1, 2015 are eligible for benefits under this plan prior to Medicare eligibility. All eligible retirees may participate in the North Dakota Retiree Plan when eligible for Medicare.

### Disability

There are no special provisions for disabled participants. Disabled retirees are assumed to be eligible for Medicare.

### Employer Subsidy

There is no explicit subsidy provided through the plan. There is an implicit employer subsidy when actual retiree premiums are not sufficient to cover the assumed claim cost prior to Medicare eligibility.

### Life Insurance

No insurance is provided to retirees in this plan.

### Plan Description

The same benefit options are available to retirees and active employees. The health plans are fully-insured and partially experience rated. The Dakota Plan carrier is Sanford Health Plan.

In determining premiums for coverage for retired employees not eligible for Medicare, the rate for a non-Medicare retiree single plan is 150% of the active member single plan rate, the rate for a non-Medicare retiree family plan of two people is 200% of the non-Medicare retiree single plan rate, and the rate for a non-Medicare retiree family plan of three or more persons is 250% of the non-Medicare retiree single plan rate.

Sample monthly premium rates effective on January 1, 2018 are:

Non-Medicare Retiree	Monthly Rate
Single	\$896.34
Family	\$1,792.68
Family (3+)	\$2,240.84
Active with Wellness Program	Monthly Rate
Single	\$638.38
Family	\$1,542.40
Active without Wellness Program	Monthly Rate
Single	\$644.76
Family	\$1,557.82

## Section IV. Valuation Data

### Counts

The following table summarizes the counts, ages, and coverage for those currently enrolled in Medical/Drug coverage. Information includes only those eligible for plan subsidies.

7/1/2017	
(1) Number of Participants	
(a) Active Employees (Legislators)	138
(b) Retirees not Medicare eligible	219
(2) Employee Statistics	
(a) Average Age	58.1
(b) Average Service	9.4
(3) Retiree Statistics	
(a) Average Age	61.0

## Section IV. Valuation Data

### Employee Age - Service Distribution

Shown below is a distribution based on age and service of employees eligible for subsidy who are currently receiving medical and drug benefits from the NDPERS.

Age	Years of Service as of 7/1/2017								Total
	Under 1	01-04	05-09	10-14	15-19	20-24	25-29	30+	
Under 25	1	0	0	0	0	0	0	0	1
25 - 29	1	1	0	0	0	0	0	0	2
30 - 34	5	3	2	0	0	0	0	0	10
35 - 39	3	2	3	0	0	0	0	0	8
40 - 44	2	4	1	0	0	0	0	0	7
45 - 49	2	0	1	0	1	0	0	0	4
50 - 54	2	3	3	1	2	0	0	0	11
55 - 59	4	4	4	2	3	2	0	0	19
60 - 64	2	6	3	6	4	2	1	0	24
65 +	4	4	13	10	6	11	3	1	52
Totals	26	27	30	19	16	15	4	1	138

The following table shows averages in total for the above participants.

Averages	
Age:	58.1
Service:	9.4

### Retiree Age Distribution

Shown below is a distribution based on age participants who are currently receiving medical and drug benefits from the NDPERS.

55	56	57	58	59	Age 60	61	62	63	64	Total
2	4	7	7	18	11	28	32	39	71	219

The following table shows averages in total for the above participants.

Average	
Age:	61.0

## Section V. Valuation Methods and Assumptions

### Cost Method

This valuation uses the entry age normal funding method calculated on an individual basis with normal cost as a level percentage of pay.

### Coverage Status and Age of Spouse

Actual coverage status is used; females assumed 3 years younger than male spouse.

### Election Assumption

All retirees currently enrolled in health care are assumed to continue to elect health care coverage in the future. Those participants that have waived health coverage are assumed to continue to waive coverage in the future. Employees not eligible for a subsidy are assumed not to elect coverage from the plan upon retirement.

20% of active Legislators are assumed to continue pre-Medicare coverage into retirement.

### Interest Rate Assumption

The interest rate is based on the 20-year GO Bond index of 3.56% as of July 1, 2017 and 2.92% as of July 1, 2016.

### Trend Assumptions

Determined using the SOA Long-Run Medical Cost Trend Model adjusted for Cadillac Tax impact beginning in 2022. Retiree contributions increase every other year based on the same underlying trend assumption. Sample rates are:

Plan Year	Claims Cost Trend	Contribution Trend
2018	5.50%	11.20%
2019	5.40%	0.00%
2020	5.30%	10.78%
2021	5.20%	0.00%
2022	5.30%	11.11%
2025	6.20%	0.00%
2030	7.20%	12.38%
2040	6.80%	12.38%
2050	6.10%	11.59%
2060	5.80%	11.19%
2070	5.20%	10.16%
Ultimate	4.70%	9.51% / 0.00%



## Section V. Valuation Methods and Assumptions

### Decrement Assumptions

Below is a summary of decrements used in this valuation. Sample Retirement and Termination rates are illustrated in the tables below.

Mortality	Description
1) Healthy base table	RP-2014
2) Mortality improvement	MP-2017

Retirement	
Years of Service	Rate
Legislators	
0 - 3	0%
4	10%
5 - 7	0%
8	20%
9 - 11	0%
12	50%
13 - 15	0%
16	100%

Disability	Description
1) Pre-retirement Legislators	None assumed

Termination	Description
1) Pre-retirement Legislators	None assumed

Salary Increases	Description
1) Pre-retirement Legislators	3.0% per year

## Section V. Valuation Methods and Assumptions

### Claims Assumption

To determine the assumed cost and the retiree contributions, we weighted the 2018 premium rates by the current enrollment and aging factors. Aging factors account for the fact that medical claim costs increase with age.

The following table shows Explicit Costs (based on premium rates) and combined Total Medical and Drug Costs by age. Assumed retiree contributions are 150% of the assumed Explicit Cost.

Assumed Claims and Contributions Annual Per Participant Costs	
1. Explicit Costs	
a. Pre-Medicare	\$7,883
b. Retiree Contribution	\$11,825
2. Total Medical and Drug Costs	
c. Under 50	8,955
d. Age 50-54	10,381
e. Age 55-59	12,630
f. Age 60-64	15,366

### Spouse Election Assumption

For active participants who elect coverage - Male participants are assumed to elect spousal coverage 80% of the time at retirement. Female participants are assumed to elect spousal coverage 65% of the time at retirement.

For retired participants the actual spouse coverage election is used.

### Changes in Assumptions Since Prior Valuation

The cost method was changed from Projected Unit Credit to Entry Age Normal with normal cost as a level percentage of payroll as required by GASB75.

The interest rate assumption was changed from 5.00% to a rate based on the average 20-year Municipal General Obligation (GO) Bond rates as of the measurement date. This rate is 2.92% as of June 30, 2016 and 3.56% as of June 30, 2017.

The medical trend rate was updated from an 8.0% increase in average costs and premiums in 2016, decreasing at a rate of 0.5% per year until the ultimate rate of 5.0% was reached. The new medical trend uses the SOA Long-Run Medical Cost Trend Model adjusted for the Cadillac Tax impact.

The mortality assumption was revised from RP-200 Combined Healthy Mortality Table set back two years for males and three years for females projected generationally using SSA 2014 Intermediate Cost scale from 2014 to RP-2014 using mortality improvement scale MP-2017.

The salary increase assumption was changed from 3.5% per year to 3.0% per year.

## Section VI. Glossary

### Actuarially Determined Contribution:

For Plans with irrevocable trusts, the recommended contribution to the Plan (determined in conformity with Actuarial Standards of Practice) that is projected to result in assets equaling the actuarial accrued liability within a period of time.

### Covered Group:

Plan members included in an actuarial valuation.

### Discount Rate:

The rate used to adjust a series of future payments to reflect the time value of money.

### Election Rate:

The percentage of retiring employees assumed to elect coverage.

### Employer's Contributions:

Contributions made in relation to the actuarially determined contributions of the employer (ADC). An employer has made a contribution in relation to the ADC if the employer has (a) made payments of benefits directly to or on behalf of a retiree or beneficiary, (b) made premium payments to an insurer, or (c) irrevocably transferred assets to a trust, or an equivalent arrangement, in which plan assets are dedicated to providing benefits to retirees and their beneficiaries in accordance with the terms of the plan and are legally protected from creditors of the employer(s) or plan administrator.

### Entry Age Normal Funding Method:

A method under which the actuarial present value of the projected benefits of each individual included in an actuarial valuation is allocated on a level basis over the earnings or service of the individual between entry age and assumed exit.

### Funded Ratio:

The actuarial value of assets expressed as a percentage of the actuarial accrued liability.

### Healthcare Cost Trend Rate:

The rate of change in per capita health claim costs over time as a result of factors such as medical inflation, utilization of healthcare services, plan design, and technological developments.

### Measurement Date:

A day selected by the local government from the last day of the prior fiscal year to the last day of the current fiscal year. The measurement date is not necessarily the same date as the valuation date.

## Section VI. Glossary

### OPEB Plan:

An OPEB plan having terms that specify the amount of benefits to be provided at or after separation from employment. The benefits may be specified in dollars (for example, a flat dollar payment or an amount based on one or more factors such as age, years of service, and compensation), or as a type or level of coverage (for example, prescription drugs or a percentage of healthcare insurance premiums).

### Other Post-Employment Benefits:

Post-employment benefits other than pension benefits. Other post-employment benefits (OPEB) include post-employment healthcare benefits, life insurance, regardless of the type of plan that provides them, and all post-employment benefits provided separately from a pension plan, excluding benefits defined as termination offers and benefits.

### Pay-as-you-go (PAYGO):

A method of financing a benefit plan under which the contributions to the plan are generally made at about the same time and in about the same amount as benefit payments and expenses becoming due.

### Payroll Growth Rate:

An actuarial assumption with respect to future increases in total covered payroll attributable to inflation; used in applying the level percentage of projected payroll amortization method.

### Plan Liabilities:

Obligations payable by the plan at the reporting date, including, primarily, benefits and refunds due and payable to plan members and beneficiaries, and accrued investment and administrative expenses. Plan liabilities do not include actuarial accrued liabilities for benefits that are not due and payable at the reporting date.

### Plan Members:

The individuals covered by the terms of an OPEB plan. The plan membership generally includes employees in active service, terminated employees who have accumulated benefits but are not yet receiving them, and retired employees and beneficiaries currently receiving benefits.

### Post-employment:

The period between termination of employment and retirement as well as the period after retirement.

### Post-employment Healthcare Benefits:

Medical, dental, vision, and other health-related benefits provided to terminated or retired employees and their dependents and beneficiaries.

## Section VI. Glossary

### Select and Ultimate Rates:

Actuarial assumptions that contemplate different rates for successive years. Instead of a single assumed rate with respect to, for example, the investment return assumption, the actuary may apply different rates for the early years of a projection and a single rate for all subsequent years. For example, if an actuary applies an assumed investment return of 8% for year 2016, 7.5% for 2017, and 7% for 2018 and thereafter, then 8% and 7.5% are select rates, and 7% is the ultimate rate.

### Service Cost:

That portion of the Actuarial Present Value of plan benefits and expenses which is allocated to a valuation year by the Actuarial Cost Method.

### Valuation Date:

The as-of date for employee census data. Under GASB 75, the valuation date must be within 30 months of the last day of the fiscal year.

## Appendix 1: The Actuarial Valuation Process

### Step 1 – Determining the Present Value of Benefits

The first step of the actuarial valuation process is to determine the Present Value of Benefits (PVB). The PVB represents the estimated amount needed to provide all future OPEB benefits.

For a retiree it is based on the following assumptions:

- The current cost of medical benefits
- How fast medical costs will increase (medical trend)
- Mortality

For an employee it *also* considers the following assumptions:

- How many employees will leave before becoming eligible for the benefit
- At what age will employees retire
- What percentage of eligible retirees will elect coverage
- What percent of eligible retirees will have spouse coverage

Based on these assumptions, the actuary estimates a payment stream for each year in the future.

The streams of payments are discounted to the valuation date using a discount rate. The discount rate is similar to the rate of return you would expect to earn on funds in a bank or other investment vehicle. The sum of the discounted payment stream is the PVB.

### Step 2 – The Actuarial Funding Method

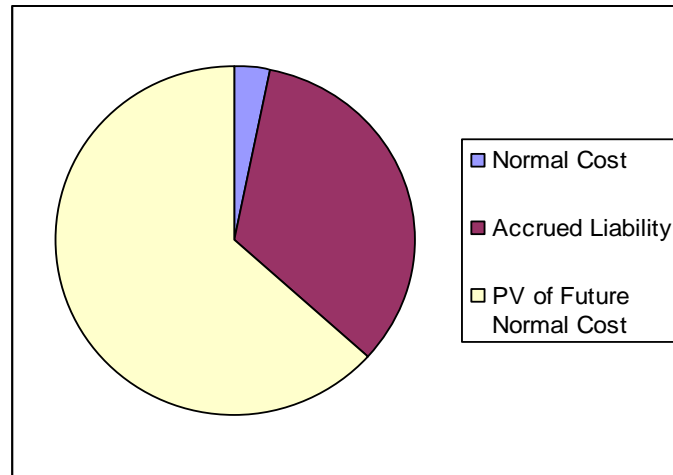
If the entire present value of benefits was deposited into a trust when every new employee was hired, there would be (in the absence of actuarial losses caused by experience different than that assumed) no cost after the first year. The goal of an actuarial funding method is to spread the present value of benefits throughout the employee's career.

Accordingly, the second step of an actuarial valuation is to divide the Present Value of Benefits into three components:

- The normal cost (the liability accrual for the year)
- The accrued liability (the liability amount allocated for past service)
- The present value of future normal costs (the liability amount allocated to the future)

## Appendix 2: The Actuarial Valuation Process

The following chart illustrates the 3 components of the Present Value of Benefits:



For a retired employee, the present value of benefits equals the accrued liability.

## Appendix 3: Expected Benefit Payments

Plan Year Ending 6/30	Expected Benefit Payments
2018	\$885,000
2019	\$1,052,000
2020	\$687,000
2021	\$634,000
2022	\$401,000
2023	\$323,000
2024	\$229,000
2025	\$160,000
2026	\$97,000
2027	\$72,000

*Please note:*

- *Amounts shown are implicit benefit payments*
- *The expected benefit payment stream shown above assumes that the covered population is a closed group, i.e. there are no new entrants or re-entrants.*
- *The Plan's actual benefit payments may be greater or lesser than the amounts shown, depending on actual demographic experience and claims experience.*



## Appendix 4. FY19 Required Disclosures

### Change in Net OPEB Liability - Required by GASB75

	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (a) - (b)
<b>Balance as of June 30, 2017 for FYE 2018</b>	\$4,297,160	\$0	\$4,297,160
Changes for the Year			
Service Cost	62,189		62,189
Interest	137,232	0	137,232
Changes of Benefit Terms	0		0
Experience Losses	0		0
Implicit Employer Premium Payments		884,681	(884,681)
Net Investment Income		0	0
Changes in Assumptions	(7,764)		(7,764)
Implicit Benefit Payments	(884,681)	(884,681)	0
Administrative Expense		0	0
Net Changes	(693,024)	0	(693,024)
<b>Balance as of June 30, 2018 for FYE 2019</b>	\$3,604,136	\$0	\$3,604,136
Funded Status		0.00%	

## Appendix 4. FY19 Required Disclosures

### Sensitivity of Total and Net OPEB Liability - Required by GASB75

The following table presents North Dakota PERS's Total and Net OPEB liability. We also present the Total and Net OPEB liability if it is calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher.

	1% Decrease 2.62%	Discount Rate 3.62%	1% Increase 4.62%
Total OPEB Liability	\$3,740,688	\$3,604,136	\$3,481,893
Net OPEB Liability/(Asset)	\$3,740,688	\$3,604,136	\$3,481,893

The following table presents North Dakota PERS's Total and Net OPEB liability. We also present the Total and Net OPEB liability if it is calculated using a health care cost trend rate that is 1 percentage point lower or 1 percentage point higher. See Section 5 for the complete health care cost trend rate

	1% Decrease	Trend Rate	1% Increase
Total OPEB Liability	\$3,465,134	\$3,604,136	\$3,758,658
Net OPEB Liability/(Asset)	\$3,465,134	\$3,604,136	\$3,758,658

## Appendix 4. FY19 Required Disclosures

### OPEB Expense - Required by GASB75 Only

1. Service Cost	\$62,189
2. Interest	137,232
3. Projected Earnings on OPEB Trust	0
4. OPEB Administrative Expense	0
5. Changes in Benefit Terms	0
6. Differences Between Expected and Actual Earnings	
In Current Fiscal Year Recognized in Current Year	0
From Past Years Recognized in Current Year	0
Total	0
7. Differences Between Expected and Actual Experience	
In Current Fiscal Year Recognized in Current Year	0
From Past Years Recognized in Current Year	0
Total	0
8. Changes in Assumptions	
In Current Fiscal Year Recognized in Current Year	(3,882)
From Past Years Recognized in Current Year	(48,967)
Total	(52,849)
9. Total OPEB Expense	<u>\$146,572</u>

## Appendix 4. FY19 Required Disclosures

### Deferred Inflows/Outflows of Resources Related to OPEB - Required by GASB75

For the fiscal year ended June 30, 2019, North Dakota PERS recognized an OPEB expense of \$146,572. At June 30, 2019, North Dakota PERS reported deferred outflows of resources and deferred inflows of resources related to the OPEB plan from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ -
Changes of assumptions	-	3,882
Net difference between projected and actual earnings on OPEB plan investments	-	-
Employer contribution subsequent to measurement date	-	-
Total	<u>\$ -</u>	<u>\$ 3,882</u>

\$0 reported as deferred outflows of resources related to OPEB resulting from employer contributions subsequent to measurement date will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2020.

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the OPEB plan will be recognized in the expense as follows:

Measurement Period ended June 30:	
2019	\$ (3,882)
2020	-
2021	-
2022	-
2023	-
Thereafter	-

## Appendix 4. FY19 Required Disclosures

### Schedule of Changes in the Total Liability and Related Ratios - Required by GASB75

Changes in Employer's Net OPEB Liability and Related Ratios  
Last 10 Fiscal Years

As of June 30 of Measurement Year

	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
<b>Total OPEB Liability</b>										
Service Cost	\$ 62,189	\$ 69,995								
Interest Cost	137,232	134,696								
Changes in Benefit Terms	-	-								
Differences Between Expected and Actual Experience	-	-								
Changes of Assumptions	(7,764)	(97,934)								
Implicit Benefit Payments	(884,681)	(844,968)								
Net Change in Total OPEB Liability	(693,024)	(738,211)								
Total OPEB liability - Beginning of Year	4,297,160	5,035,371								
Total OPEB Liability - End of Year	3,604,136	4,297,160								

Plan Fiduciary Net Position  
Last 10 Fiscal Years

As of June 30 of Measurement Year

	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Implicit Employer Premium Payments	\$ 884,681	\$ 844,968								
Net Investment Income	-	-								
Implicit Benefit Payments	(884,681)	(844,968)								
Administrative Expense	-	-								
Net Change in Fiduciary Net Position	-	-								
Fiduciary Net Position - Beginning of Year	-	-								
Fiduciary Net Position - End of Year	-	-								
Net OPEB Liability	3,604,136	4,297,160								
Fiduciary Net Position as a % of Total OPEB Liability	0.00%	0.00%								
Covered-Employee Payroll <sup>1</sup>										
Net OPEB Liability as a % of Payroll <sup>1</sup>										
Expected Average Remaining Service Years of All Participants	2	2								

Notes to Schedule:

Benefit changes: None.

Changes of assumptions: The discount rate was increased from 3.56% to 3.62%.

<b>Discount rate:</b>	
6/30/2017	3.56%
6/30/2018	3.62%

1/ Because this OPEB plan does not depend on salary, we do not have salary information.



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# Memorandum

**TO:** NDPERS Board

**FROM:** Scott Miller

**DATE:** August 3, 2018

**SUBJECT:** Legislation

We have three bills to discuss - Bills number 20, 129, and 130.

## **Bill Number 20**

Bill number 20, which is attached, proposes to curtail the requirement – and long-standing practice – that all legislation that may have an effect on the retirement program must be vetted through the Legislative Employee Benefits Committee (LEBC). If the bill is passed, legislation that we, another Executive Branch agency, or the Judicial Branch propose must still go through the LEBC. However, draft measures or proposals submitted by a legislator or a legislative committee would be exempt from LEBC consideration.

This presents a number of concerns. Vetting legislative proposals through the LEBC insures that appropriate analysis of any actuarial effects or legal concerns takes place. It also reduces the possibility that damaging legislation could be fast-tracked through the legislative process without adequate notice and consideration. The Board should deliberate on these issues and determine whether there are any specific things we would like GRS, our actuary, to consider or address in their review and analysis of this bill.

## **Bill Number 129**

Bill number 129, which is also attached, proposes to terminate the Retiree Health Insurance Credit for new hires after July 31, 2019, and re-direct the employer contributions to the PERS trust. That is expected to help nudge the PERS plan back to an upward slope toward full funding.

The discussion point lies with the effective date – August 1, 2019. Bill number 130, which I address below, has an effective date of January 1, 2020. Since both of these bills essentially create a new tier of benefit recipients, we would suggest amending one or the other of the bills – most likely Bill 129 – to have the same effective date as the other. That way, if both bills pass, we are only creating one new tier of benefits instead of two. Doing so will help immensely with both programming and education. A January date would also provide consistency with the month in which new benefit tiers become effective, as the benefit tier that was approved in the 2015 session (moving to the rule of 90, age 60 retirement age, and early retirement reduction factor) also had a January effective date. We would suggest requesting the LEBC amend this bill to make the effective date consistent with Bill 130.

## **Bill Number 130**

Bill number 130, attached, proposes to reduce the benefit multiplier for new hires after December 31, 2019 from the current 2% down to 1.75%. The Bill provides for a kind of “sunset” in the event that the Fund reaches 100% funding – when that happens, the multiplier increases back up to 2%.

GRS has asked a number of difficult questions regarding how the bill is currently worded. The first is whether the 100% funding requirement applies to the entire PERS trust – which would include the main system, both public safety systems, and the Judges’ system (even though the Judges are not subject to the multiplier reduction) – or to each of those sub-systems individually. As they point out, the “Law Enforcement without prior Main System” is already over 100% funded. However, it is also a very small and, therefore, highly-volatile system, and could swing back and forth between over- and under-funded on a yearly basis. As the bill is currently written, we believe it applies to the entire PERS trust, but would like the Board’s input on that conclusion.

GRS also questioned whether the increase from 1.75% to 2.0% would apply to all service credit a member has once the 100% threshold has been met, or

whether the 2.0% would only apply to service credit earned after that point. The way the bill is currently written, we believe it applies to all service credit – earned both before and after that point. That may be a very expensive conclusion, and delay the Fund's approach to full funding. We would like the Board's input on whether that is acceptable, and whether we should request the LEBC to amend the bill to clarify its intent.

If the Board decides to request amendments to Bills 129 and 130, we would suggest requesting GRS to evaluate both bills under both the amended and non-amended versions, in case the amendments are not accepted.

Board Action Requested: Provide input on how you would like staff to address the above bills.



19.0020.01000

Sixty-sixth  
Legislative Assembly  
of North Dakota

**BILL NO.**

Introduced by

Representative Streyle

1 A BILL for an Act to amend and reenact section 54-35-02.4 of the North Dakota Century Code,  
2 relating to the duties of the employee benefits programs committee.

3 **BE IT ENACTED BY THE LEGISLATIVE ASSEMBLY OF NORTH DAKOTA:**

4 **SECTION 1. AMENDMENT.** Section 54-35-02.4 of the North Dakota Century Code is  
5 amended and reenacted as follows:

6 **54-35-02.4. Employee benefits programs committee - Powers and duties.**

7 1. The employee benefits programs committee shall consider and report on those  
8 legislative measures and proposals over which ~~it~~the committee takes jurisdiction and  
9 ~~which affect, actuarially or otherwise, the retirement programs of state employees or~~  
10 ~~employees of any political subdivision, and health and retiree health plans of state~~  
11 ~~employees or employees of any political subdivision~~under this section. The committee  
12 shall make a thorough review of ~~any~~a measure or proposal ~~over which it~~over which ~~the committee~~  
13 ~~takes jurisdiction under its jurisdiction~~this section, including an actuarial review.

14 a. The committee shall take jurisdiction over a measure or proposal sponsored by  
15 the judicial branch or an executive branch agency with bill introduction privileges  
16 which affects, actuarially or otherwise, the retirement programs of state  
17 employees or employees of any political subdivision or the health and retiree  
18 health plans of state employees or employees of any political subdivision.

19 b. The committee shall take jurisdiction over any~~a~~ measure or proposal ~~that~~  
20 sponsored by the judicial branch or an executive branch agency with bill  
21 introduction privileges which authorizes an automatic increase or other change in  
22 benefits beyond the ensuing biennium which would not require legislative  
23 approval. The committee ~~must~~shall include in the report of the committee a

1 statement that the proposal would allow future changes without legislative  
2 involvement.

3 c. The committee shall report ~~its~~the committee's findings and recommendations,  
4 along with any necessary legislation, to the legislative management ~~and to the~~  
5 ~~legislative assembly.~~

6 2. To carry out ~~its~~the committee's responsibilities, the committee, or ~~its~~the committee's  
7 designee, may:

8 a. Enter contracts, including retainer agreements, with an actuary or actuarial firm  
9 for expert assistance and consultation. Each retirement, insurance, or retiree  
10 insurance program shall pay, from ~~its~~the program's retirement, insurance, or  
11 retiree health benefits fund, as appropriate, and without the need for a prior  
12 appropriation, the cost of any actuarial report required by the committee which  
13 relates to that program.

14 b. Call on personnel from state agencies or political subdivisions to furnish such  
15 information and render such assistance as the committee may from time to time  
16 request.

17 c. Establish rules for ~~its~~the committee's operation, including the submission and  
18 review of proposals and the establishing of standards for actuarial review.

19 3. The committee may solicit draft measures and proposals from interested persons  
20 during the interim between legislative sessions, and may also study measures and  
21 proposals referred to ~~it~~the committee by the legislative assembly or the legislative  
22 management. However, this subsection does not require a legislator or a legislative  
23 committee to submit to the committee a draft measure or proposal for review.

24 4. Alf a measure over which the committee takes jurisdiction under this section is  
25 introduced for consideration by a legislative assembly, a copy of the committee's  
26 report concerning any~~the~~ legislative measure shall, ~~if that measure is introduced for~~  
27 ~~consideration by a legislative assembly,~~must be appended to the copy of that measure  
28 ~~which is referred to a standing committee.~~

29 5. A~~The~~ judicial branch or an executive branch agency with bill introduction privileges  
30 may not introduce a legislative measure ~~affecting a public employees retirement-~~  
31 ~~program, public employees health insurance program, or public employee retiree-~~

1 health insurance program may not be introduced in either house over which the  
2 committee may have jurisdiction under subsection 1, unless if the legislative measure  
3 is accompanied by a report from the committee or the committee has determined the  
4 committee does not have jurisdiction. A majority of the members of the committee,  
5 acting through the chairman, has sole authority to determine whether ~~any legislative~~  
6 ~~measure affects a program~~ the committee has jurisdiction under this section.

7 6. ~~Any amendment made during a legislative session to a legislative measure affecting a~~  
8 ~~public employees retirement program, public employees health insurance program, or~~  
9 ~~public employee retiree health insurance program may not be considered by a~~  
10 ~~standing committee unless it is accompanied by a report from the employee benefits~~  
11 ~~programs committee.~~

12 7. ~~Any legislation~~ Legislation enacted in contravention of this section is invalid and of no  
13 force and effect, and any benefits provided under such legislation must be reduced to  
14 the level current prior ~~to~~ before enactment.

19.0129.01000

Sixty-sixth  
Legislative Assembly  
of North Dakota

**BILL NO.**

Introduced by

(At the request of the Public Employees Retirement System)

1 A BILL for an Act to amend and reenact sections 54-52-02.9, 54-52-06, and 54-52.1-03.2,  
2 subsection 1 of section 54-52.1-03.3, and section 54-52.6-09 of the North Dakota Century  
3 Code, relating to employer contributions to the public employees defined benefit plan, defined  
4 contribution plan, and retiree health plan and participation in the retiree health plan.

5 **BE IT ENACTED BY THE LEGISLATIVE ASSEMBLY OF NORTH DAKOTA:**

6 **SECTION 1. AMENDMENT.** Section 54-52-02.9 of the North Dakota Century Code is  
7 amended and reenacted as follows:

8 **54-52-02.9. Participation by temporary employees.**

9 ~~A temporary employee may elect, within~~

10 1. Within one hundred eighty days of beginning employment, a temporary employee may  
11 elect to participate in the public employees retirement system and receive credit for  
12 service after enrollment. The~~Monthly, the~~ temporary employee shall pay monthly to the  
13 fund an amount equal to eight and twelve-hundredths percent times the temporary  
14 employee's present monthly salary. The amount required to be paid by a temporary  
15 employee increases by two percent times the temporary employee's present monthly  
16 salary beginning with the monthly reporting period of January 2012, and with an  
17 additional two percent increase, beginning with the reporting period of January 2013,  
18 and with an additional increase of two percent, beginning with the monthly reporting  
19 period of January 2014. The

20 2. If the temporary employee shall also first enrolled:

21 a. Before August 1, 2019, in addition the temporary employee shall pay the required  
22 monthly contribution to the retiree health benefit fund established under section  
23 54-52.1-03.2. This contribution must be recorded as a member contribution  
24 pursuant to section 54-52.1-03.2.

b. After July 31, 2019, the temporary employee shall pay to the fund an additional amount equal to one and fourteen hundredths percent times the temporary employee's present monthly salary.

3. An employer may not pay the temporary employee's contributions. A temporary employee may continue to participate as a temporary employee in the public employees retirement system until termination of employment or reclassification of the temporary employee as a permanent employee. A temporary employee may not purchase any additional credit, including additional credit under section 54-52-17.4 or past service under section 54-52-02.6.

**SECTION 2. AMENDMENT.** Section 54-52-06 of the North Dakota Century Code is amended and reenacted as follows:

**54-52-06. Employer's contribution to retirement plan - Report to the legislative assembly.**

1. Each governmental unit shall contribute an amount equal to four and twelve-hundredths percent of the monthly salary or wage of a participating member. Governmental unit contributions increase by one percent of the monthly salary or wage of a participating member beginning with the monthly reporting period of January 2012, ~~and~~ with an additional increase of one percent, beginning with the reporting period of January 2013, ~~and~~ with an additional increase of one percent, beginning with the monthly reporting period of January 2014. For a participating member who first enrolls after July 31, 2019, the governmental unit shall contribute an additional amount equal to one and fourteen hundredths percent of the monthly salary or wage of the participating member.

2. For those members who elect to exercise their rights under section 54-52-17.14, the employing governmental unit, or in the case of a member not presently under covered employment the most recent employing governmental unit, shall pay the associated employer contribution. If the employee's contribution is paid by the governmental unit under subsection 3 of section 54-52-05, the employer unit shall contribute, in addition, an amount equal to the required employee's contribution. Each governmental unit shall pay the contribution monthly, or in the case of an election made pursuant to section 54-52-17.14 a lump sum, into the retirement fund from ~~its~~ the governmental

unit's funds appropriated for payroll and salary or any other funds available for these purposes. Any governmental unit failing to pay the contributions monthly, or in the case of an election made pursuant to section 54-52-17.14 a lump sum, is subject to a civil penalty of fifty dollars and, as interest, one percent of the amount due for each month of delay or fraction thereof after the payment became due. In lieu of assessing a civil penalty or one percent per month, or both, interest at the actuarial rate of return may be assessed for each month the contributions are delinquent. If contributions are paid within ninety days of the date ~~they~~the contributions became due, penalty and interest to be paid on delinquent contributions may be waived.

3. An employer is required to submit contributions for any past eligible employee who was employed after July 1, 1977, for which contributions were not made if the employee would have been eligible to become vested had the employee participated and if the employee elects to join the public employees retirement system. Employer contributions may not be assessed for eligible service that an employee has waived pursuant to subsection 1 of section 54-52-05.

4. The board shall report to each session of the legislative assembly the contributions necessary, as determined by the actuarial study, to maintain the fund's actuarial soundness.

**SECTION 3. AMENDMENT.** Section 54-52.1-03.2 of the North Dakota Century Code is amended and reenacted as follows:

**54-52.1-03.2. Retiree health benefits fund - Appropriation.**

1. a. The board shall establish a retiree health benefits fund account with the Bank of North Dakota for the purpose of prefunding and providing hospital benefits coverage ~~and~~, medical benefits coverage, and prescription drug coverage under any health insurance program and dental, vision, and long-term care benefits coverage under the uniform group insurance program for retired eligible employees or surviving spouses of retired eligible employees and their dependents as provided in this chapter.
- b. The state shall contribute monthly to the retiree health benefits fund an amount equal to one and fourteen hundredths percent of the monthly salaries and wages of all participating members of the highway patrolmen's retirement system under

chapter 39-03.1, and one and fourteen hundredths percent of the monthly salaries of all supreme or district court judges who are participating members of the public employees retirement system under chapter 54-52.

c. Each governmental unit that contributes to the public employees retirement system fund under section 54-52-06 or the retirement plan under chapter 54-52.6 shall contribute monthly to the retiree health benefits fund an amount equal to one and fourteen hundredths percent of the monthly salaries or wages of all participating members of the public employees retirement system under chapter 54-52 or chapter 54-52.6, except for nonteaching:

(1) Members first enrolled after July 31, 2019, for which a governmental unit contributes to the public employees retirement system fund under section 54-52-06 or the retirement plan under chapter 54-52.6; and

(2) Nonteaching employees of the superintendent of public instruction who elect to participate in the public employees retirement system pursuant to section 54-52-02.13 and employees of the state board for career and technical education who elect to participate in the public employees retirement system pursuant to section 54-52-02.14.

d. For nonteaching employees of the superintendent of public instruction who elect to participate in the public employees retirement system pursuant to section 54-52-02.13, the superintendent of public instruction shall contribute monthly to the retiree health benefits fund an amount equal to three and twenty-four hundredths percent of the monthly salaries or wages of those nonteaching employee members, beginning on the first of the month following the transfer under section 54-52-02.13 and continuing thereafter for a period of eight years, after which time the superintendent of public instruction shall contribute one and fourteen hundredths percent of the monthly salary or wages of those nonteaching employee members.

e. For employees of the state board for career and technical education who elect to participate in the public employees retirement system pursuant to section 54-52-02.14, the state board for career and technical education shall contribute monthly to the retiree health benefits fund an amount equal to two and

1            ninety-nine hundredths percent of the monthly salary or wages of those  
2            employee members, beginning on the first of the month following the transfer  
3            under section 54-52-02.14 and continuing thereafter for a period of eight years,  
4            after which time the state board for career and technical education shall  
5            contribute one and fourteen hundredths percent of the monthly salary or wages  
6            of those employee members.

7            f.    The employer of a national guard security officer or firefighter shall contribute  
8            monthly to the retiree health benefits fund an amount equal to one and fourteen  
9            hundredths percent of the monthly salaries or wages of all national guard security  
10           officers or firefighters participating in the public employees retirement system  
11           under chapter 54-52.

12           g.    Job service North Dakota shall reimburse monthly the retiree health benefits fund  
13           for credit received under section 54-52.1-03.3 by members of the retirement  
14           program established by job service North Dakota under section 52-11-01.

15           h.    The board, as trustee of the fund and in exclusive control of its administration,  
16           shall:

17           a-    (1)    Provide for the investment and disbursement of moneys of the retiree health  
18           benefits fund and administrative expenditures in the same manner as  
19           moneys of the public employees retirement system are invested, disbursed,  
20           or expended.

21           b-    (2)    Adopt rules necessary for the proper administration of the retiree health  
22           benefits fund, including enrollment procedures.

23           2.    All moneys deposited in the fund established under subsection 1, not otherwise  
24           appropriated, are hereby appropriated to the board for the purpose of making  
25           investments for the fund and to make contributions toward hospital and medical  
26           benefits coverage and prescription drug coverage under any health insurance program  
27           and dental, vision, and long-term care benefits coverage under the uniform group  
28           insurance program for eligible retired employees or surviving spouses of eligible  
29           retired employees and their dependents as elected.

30           3.    If a member terminates employment because of death, permanent and total disability,  
31           or any voluntary or involuntary reason ~~prior to~~before retirement, the member or the



1 member's designated beneficiary is entitled to the member's account balance at  
2 termination. If a member's account balance is withdrawn, the member relinquishes all  
3 rights to benefits under the retiree health benefits fund.

4 **SECTION 4. AMENDMENT.** Subsection 1 of section 54-52.1-03.3 of the North Dakota  
5 Century Code is amended and reenacted as follows:

6 1. The following individuals are entitled to receive credit for hospital and medical benefits  
7 coverage and prescription drug coverage under any health insurance program and  
8 dental, vision, and long-term care benefits coverage under the uniform group  
9 insurance program under subsection 2:

- 10 a. A member or surviving spouse ~~of~~receiving retirement benefits under the highway  
11 patrolmen's retirement system is eligible for the credit beginning on the date  
12 retirement benefits are effective.
- 13 b. ~~Alf the member first enrolled before August 1, 2019, a~~ member or surviving  
14 spouse ~~of~~receiving retirement benefits under the public employees retirement  
15 system is eligible for the credit beginning on the date retirement benefits are  
16 effective.
- 17 c. A member or surviving spouse ~~of~~receiving retirement benefits under the  
18 retirement program established by job service North Dakota under section  
19 52-11-01 receiving retirement benefits is eligible for the credit beginning on the  
20 date retirement benefits are effective.
- 21 d. A retired judge or surviving spouse receiving retirement benefits under the  
22 retirement program established under chapter 27-17 is eligible for the credit  
23 beginning on the date retirement benefits are effective.
- 24 e. ~~Alf the former participating member first enrolled before August 1, 2019, a~~ former  
25 participating member of the defined contribution retirement plan receiving  
26 retirement benefits, or the surviving spouse of a former participating member of  
27 that retirement plan who was eligible to receive or was receiving benefits, under  
28 section 54-52.6-13, is eligible as determined by the board pursuant to ~~its~~the  
29 board's rules.

30 **SECTION 5. AMENDMENT.** Section 54-52.6-09 of the North Dakota Century Code is  
31 amended and reenacted as follows:

1       **54-52.6-09. Contributions - Penalty.**

2       1. Each participating member shall contribute monthly four percent of the monthly salary  
3       or wage paid to the participant, and this assessment must be deducted from the  
4       participant's salary in equal monthly installments commencing with the first month of  
5       participation in the defined contribution retirement plan established under this chapter.  
6       Participating member contributions increase by one percent of the monthly salary or  
7       wage paid to the participant beginning with the monthly reporting period of  
8       January 2012,~~and;~~ with an additional increase of one percent, beginning with the  
9       reporting period of January 2013;~~i~~ and with an additional increase of one percent,  
10      beginning with the monthly reporting period of January 2014.

11      2. The employer shall contribute an amount equal to four and twelve-hundredths percent  
12      of the monthly salary or wage of a participating member. Employer contributions  
13      increase by one percent of the monthly salary or wage of a participating member  
14      beginning with the monthly reporting period of January 2012,~~and;~~ with an additional  
15      increase of one percent, beginning with the monthly reporting period of January 2013;~~i~~  
16      and with an additional increase of one percent, beginning with the monthly reporting  
17      period of January 2014. For members first enrolled after July 31, 2019, the employer  
18      contribution includes an additional increase of one and fourteen hundredths percent. If  
19      the employee's contribution is paid by the employer under subsection 3, the employer  
20      shall contribute, in addition, an amount equal to the required employee's contribution.  
21      Monthly, the employer shall pay such contribution into the participating member's  
22      account from the employer's funds appropriated for payroll and salary or any other  
23      funds available for such purposes. If the employer fails to pay the contributions  
24      monthly, the employer is subject to a civil penalty of fifty dollars and, as interest, one  
25      percent of the amount due for each month of delay or fraction thereof of a month after  
26      the payment became due. In lieu of assessing a civil penalty or one percent per  
27      month, or both, interest at the actuarial rate of return may be assessed for each month  
28      the contributions are delinquent. If contributions are paid within ninety days of the date  
29      the contributions became due, penalty and interest to be paid on delinquent  
30      contributions may be waived.

1       3. Each employer, at its option, may pay the employee contributions required by this  
2       section for all compensation earned after December 31, 1999. The amount paid must  
3       be paid by the employer in lieu of contributions by the employee. If the employer  
4       decides not to pay the contributions, the amount that would have been paid will  
5       continue to be deducted from the employee's compensation. If contributions are paid  
6       by the employer, they must be treated as employer contributions in determining tax  
7       treatment under this code and the federal Internal Revenue Code. Contributions paid  
8       by the employer may not be included as gross income of the employee in determining  
9       tax treatment under this code and the federal Internal Revenue Code until they are  
10      distributed or made available. The employer shall pay these employee contributions  
11      from the same source of funds used in paying compensation to the employee. The  
12      employer shall pay these contributions by effecting an equal cash reduction in the  
13      gross salary of the employee or by an offset against future salary increases or by a  
14      combination of a reduction in gross salary and offset against future salary increases.  
15      Employee contributions paid by the employer must be treated for the purposes of this  
16      chapter in the same manner and to the same extent as employee contributions made  
17      before the date on which employee contributions were assumed by the employer. An  
18      employer shall exercise its option under this subsection by reporting its choice to the  
19      board in writing.

19.0130.01000

Sixty-sixth  
Legislative Assembly  
of North Dakota

**BILL NO.**

Introduced by

(At the request of the Public Employees Retirement System)

1 A BILL for an Act to amend and reenact subdivision a of subsection 4 of section 54-52-17 of the  
2 North Dakota Century Code, relating to the computation of retirement benefits.

3 **BE IT ENACTED BY THE LEGISLATIVE ASSEMBLY OF NORTH DAKOTA:**

4 **SECTION 1. AMENDMENT.** Subdivision a of subsection 4 of section 54-52-17 of the North  
5 Dakota Century Code is amended and reenacted as follows:

6 a. Normal retirement benefits for all retirees, except supreme and district court  
7 judges, reaching normal retirement date equal an annual amount, payable  
8 monthly, comprised of a service benefit and a prior service benefit, as defined in  
9 this chapter, which is determined as follows:

10 (1) ServiceFor members first enrolled:

11 (a) Before January 1, 2020, service benefit equals two percent of final  
12 average salary multiplied by the number of years of service  
13 employment.  
14 (b) After December 31, 2019, service benefit equals one and seventy-five  
15 hundredths percent of final average salary multiplied by the number of  
16 years of service employment. However, if the annual valuation of the  
17 fund shows a ratio of the actuarial value of assets to the actuarial  
18 accrued liability for the fund is at least one hundred percent, effective  
19 on the first of July immediately following this annual valuation the  
20 multiplier increases to two percent of final average salary.

21 (2) Prior service benefit equals two percent of final average salary multiplied by  
22 the number of years of prior service employment.