

# NDPERS SPECIAL BOARD

## MEETING

### Agenda

**Bismarck Location:**  
Workforce Safety & Insurance  
1600 East Century Ave

**Thursday, September 20, 2018**

**Time: 8:30 AM**

#### I. GROUP INSURANCE

- A. Health Plan Renewal – Scott (Board Action) \*Executive Session
- B. Health Plan RFP – Bryan (Board Action)

#### II. RETIREMENT

- A. Employer Group Termination follow-up – Sharon (Board Action)

\*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)

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.

## **I. GROUP INSURANCE**

### **A. Health Plan Renewal**

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



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# Memorandum

**TO:** NDPERS Board

**FROM:** Bryan & Scott

**DATE:** September 11, 2018

**SUBJECT:** Health Plan RFP

NDPERS staff along with Deloitte Consulting have the health plan RFP ready in case the Board chooses to go out to bid. The following is 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

September 24, 2018

**Proposals Due:  
By 5:00 p.m. CST  
November 26, 2018**



## **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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NDPERS notifies finalist of intent to negotiate	Feb 2019
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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 Deloitte Consulting LLP  
 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 – Fort Union Room from 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 Code:108660# 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) Pending Implementation**

#### **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). 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, although this practice may change in the future. 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.

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 7/2015 – 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:**

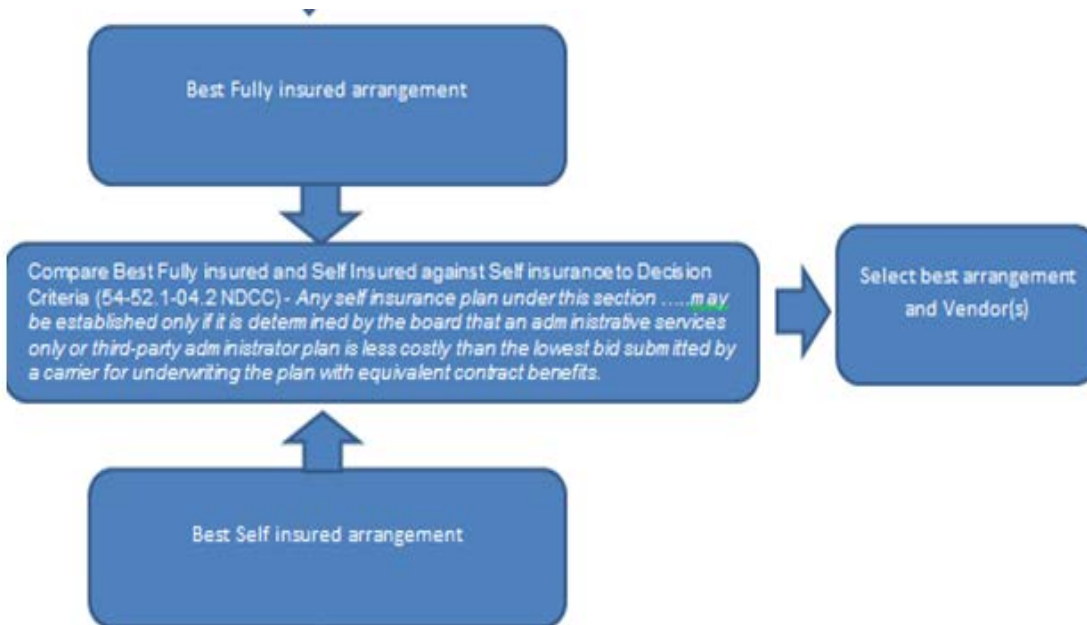
- Fully insured medical and pharmacy (carve-in pharmacy)

#### **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
    - d. 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		
			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 I1)
  - 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

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 Appendix B 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 required content and order listed below.
- All pages of proposals must have consecutive page numbers.
- Proposals must respond to RFP minimum requirements (Appendix B).
- 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 J (Suggested Changes)
- Completed Appendix K (Confidential/Proprietary Information)
- Red-lined version of sample contract (Appendix A1 and/or A2)
- Supplemental information/ attachments (optional)

**Cost Proposal**

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

## **Proposal Submission and Contact Information**

Proposals should be submitted in two parts, with the cost proposal separately 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 – Fort Union Room from 1:00 – 3:00** or until all questions have been submitted. Bidders may attend in person or call in to 701-328-7950 Code:108660# 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 November 26, 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 Appendix B, 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 (Appendix A2). 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
- 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?

### Preference Criteria

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

184. 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.).
185. 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.
186. Provide a copy of any State or Federal regulatory audit performed within the last two years.
187. 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
188. 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.
189. 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.
190. 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.
191. Describe how your organization differentiates itself from your competitors. Specifically, what makes your organization the best partner for NDPERS?
192. 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.
193. 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		

194. 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.
195. Confirm that your proposal includes any and all deviations to the Sample Contract/ASA and other RFP requirements (via submission of Appendix F).
196. 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.
197. Have there been any mergers or acquisitions in the prior 24 months? If so, how will those deals impact NDPERS?

## References

198. 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)
199. 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

200. 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
201. 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)
202. 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

203. 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.
204. 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?

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

### Plan Administration

210. 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.
211. 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.
212. 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
213. Describe your process for Medicare Secondary Payer administration.
214. 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		

215. 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.

216. 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

217. Are ID cards the sole means of determining member eligibility? If not, please describe.
218. 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.
219. 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.
220. Please describe how you handle manual eligibility updates and the turn-around/timing of such updates.

### Customer/Member Service

221. 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.
222. Provide information on the operational metrics given to the client related to customer services and how often these are provided.
223. 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?)
224. Does your organization have online support, where a member can chat online with a customer service representative, or email a question to your organization?
225. 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?
226. 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.

227. Does your customer service inquiry system allow representatives to record comments so other customer service representatives can view previous notes to assist members?
228. What is the location of your call center(s)? What call center(s) would be responsible for servicing NDPERS members?
229. Describe how you manage spikes in call volume.
230. How do you ensure that your representatives are providing timely and accurate information?
231. 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?
232. Discuss your online services available to members, including details regarding information available through the portal.
233. Do you have a mobile app available to your members?

### Claims Administration

234. 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	
-------------------------------------	--

235. 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?
236. 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.
237. Describe your claims processing system/platform and claims administration process. Are you expecting to have any system upgrades over the course of this contract?
238. 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?
239. 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?
240. Are your EOBs customizable for the NDPERS plan?
241. What is your frequency and method of distribution of EOBs?
242. Provide information on the operational metrics given to the client related to claims processing and how often these are provided.

### Medical Information Technology

243. Describe your options for external system connectivity and data transfer including web enabled services/technology.
244. 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?
245. 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?
246. 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.).
247. 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?

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

### Reporting

249. Confirm your ability to provide the reports described in the RFP and provide samples.
250. Describe your online reporting capabilities. Please describe the data/information and types of reports that can be accessed and downloaded from your online system.
251. 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.
252. 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?
253. Do you participate in the ND Health Information Network (NDHIN) reporting?

### Case/Utilization Management

254. Provide a brief overview of your utilization management programs, including pre-authorization, prior approval, concurrent review, discharge planning, and large case management.
255. 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?
256. 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

257. 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:			

258. 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.
259. 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.
260. Describe the programs offered to patients with rare and chronic diseases. Is this program outsourced? Who is the current vendor?
261. 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.

262. Describe Wellness incentives you offer. Compare and contrast that with the existing incentives. (see Exhibits 1 & 2).
263. 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
264. 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

265. 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						

266. Provide a listing or provider directory and link to the web for the provider networks you are proposing for NDPERS.
267. Identify and describe your national preferred provider organization.
268. 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.
269. Does your organization offer telehealth visits? If so, please describe the network available, how services are billed, and provide general overview of program.
270. 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.
271. Do you anticipate any significant provider contract changes for 2019? Describe any expected changes.

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

272. Describe the programs and methodologies currently in place to gather and measure meaningful provider quality and efficiency data that can be shared with members.
273. 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?
274. 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.
275. 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**

276. 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**

277. 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.).
278. 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).
279. Provide your estimate of discounts from paid charges in North Dakota.
280. How often are your R&C databases updated? What data version of UCR are you using?
281. 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?
282. If a network physician directs a member to a non-network lab for services, how is that lab service paid?
283. 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?
284. 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.

285. 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**

286. 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**

- 287. Please indicate if you will have an office in North Dakota and where most of the work on this contract will be done?
- 288. Please identify the number of employees you will employ in North Dakota pursuant to this contract.
- 289. 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**

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

### **Appeals Process**

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

## Appendix C3. Self-Insured Carve Out 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 self-insured carve out pharmacy plan administration for NDPERS.**

Appendix C1 must be completed for fully insured medical/Pharmacy bids and Appendix C2 must be completed for self-insured medical bids.

Reference should not be made to a prior response unless the question involved specifically provides such an option. Proposers should review all sections of this RFP before responding to any of the questions here, 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:

### Pharmacy Background

#### Vendor General Requirements

##### Questionnaire:

- Organizational Background, Strength, and Experience
- References
- Implementation
- Account Management
- Innovation
- Member Services
- Claims Processing/Adjudication
- Information Technology
- Reporting
- Mail Service
- Formulary
- Rebates
- Clinical Programs and Drug Utilization Review
- Network
- Eligibility

- Specialty Pharmacy
- Financial
- Preference Criteria
- Performance Guarantees

## Pharmacy Background

### North Dakota Public Employees Retirement – Strategic Objectives

NDPERS is seeking a PBM partner that:

- Controls pharmacy cost for members and NDPERS
- Delivers PBM services at aggressive prices commensurate with our covered lives
- Provides exceptional service, from both a member and NDPERS's experience
- Champions transparency (and other innovations) in contracting
- Brings innovation to the PBM services provided by NDPERS
- Seamlessly integrates with their medical plans, and analytical partners

### Potential Partnership Considerations

NDPERS is interested in exploring the potential value creation from combining the respective strengths of NDPERS and a world-class pharmacy partner in a pharmacy carve out. Our goal is to explore a partner's role in managing the following functions:

- Specialty drug management and contracting
- Formulary Management
- Clinical programs development and administration
- Customer Service (members and providers)
- Pharmacy claims processing
- Reporting
- Data Analytics
- Network Management
- Rebate processing and contracting

This part of the request for proposal is intended to provide NDPERS with the necessary information to assess your capabilities and strategic fit should the plan elect a carve out Rx. To the extent that you see opportunities to add value that we have not explicitly identified in the RFP, please provide additional information.

If any of the requirements listed in the following section indicate performance services not included in your standard fees, please specifically indicate in the pricing section what additional charges would apply.

## Vendor General Requirements

It is expected that you will answer, in detail, the attached questions. However, the following business requirements are mandatory. It is recommended that you give special consideration to each of these requirements. Please complete the following table to indicate your acceptance of meeting these requirements. If unable to make this confirmation, confirm that requirements that you will meet and provide a detailed description of any standard your organization is unable or unwilling to meet. Proposal responses are binding.

**Table 1**

Agrees to or Meets (Y/N)	Requirement
	1. NDPERS is not responsible for any cost incurred by PBM in the preparation and presentation of the proposal.
	2. PBM agrees that no NDPERS utilization information will be released for any purpose without prior written consent.
	3. NDPERS has provided the PBM with its own template contract (See Appendix A2. Bidders must submit a red-lined version of this contract with requested revisions.
	4. If PBM outsources any function related to NDPERS members, NDPERS must approve the function and the vendor.
	5. PBM will assign a dedicated implementation team to manage the implementation process.
	6. PBM will participate in quarterly executive performance reviews to examine operational and financial performance.
	7. PBM will work with NDPERS to develop and deliver monthly key performance indicator reports for the pharmacy management services provided by PBM to NDPERS.
	8. PBM confirms it will be able to administer all existing plan designs and account structures without added cost above and beyond those stated as included in base administrative fees.
	9. PBM confirms any member materials will require NDPERS review and approval before distribution.
	10. PBM is required to notify a member when a mail service prescription is changed or there is any expected shipping delay.
	11. PBM will send Explanation of Benefits (EOB) to members' quarterly indicating opportunities to purchase more cost effective drug alternatives.
	12. PBM must be willing to accept NDPERS's standard eligibility format via a data file that follows the HIPAA 834 file specifications
	13. PBM will provide designated NDPERS individuals with real time access to the eligibility system for purposes of making necessary changes.
	14. PBM will accept and hold a minimum of 24 months of historical eligibility information.

	15. PBM will confirm accurate benefit installation and eligibility prior to effective date with 100% accuracy.
	16. PBM must be able to provide NDPERS with full file claims feeds from the adjudication system in NDPERS's designated file format.
	17. PBM will provide online real-time override capability to designated NDPERS personnel.
	18. PBM shall not use NDCs of licensed repackagers as a cost basis for calculating and applying AWP discounts for mail service prescription claims.
	19. The impact of single source generic brands going off patent and becoming available as generics, becoming available over the counter, or being withdrawn from the market will not change the proposed rebate guarantee during the term of the agreement.
	20. Any pricing changes or product modifications to specialty pharmaceuticals must be communicated to the NDPERS in writing within 30 days.
	21. PBM proposed pricing will be guaranteed for a two (2) year initial contract term. NDPERS reserves the right to renegotiate pricing and performance standards periodically. The monitoring may take the form of a formal comprehensive audit, at the direction of NDPERS.
	22. PBM agrees that NDPERS or assigned designee may validate and monitor the pricing and operational performance against established performance standards periodically. The monitoring may take the form of a formal audit, at the direction of NDPERS.
	23. All responses shall include performance guarantees in accordance with the specified section included herein.
	24. PBM agrees to support all state and federal (e.g., CMS) reporting requirements.
	25. PBM agrees to assume all fees/fines associated with non-compliance with state and federal guidelines.
	26. PBM agrees to onsite, desk-top audits conducted by NDPERS or NDPERS's designees.
	27. NDPERS reserves the right to audit PBM services and operations, including, but not limited to, all pricing terms, claims adjudication, rebates, manufacturer agreements, policy and procedures, performance guarantees and clinical programs at no additional cost to NDPERS and to perform periodic follow-up audits as appropriate. Audits may be initiated up to 24 months after the end of the contract year, including the year in which contract termination occurs.

## Organizational Background, Strength, and Experience

292. 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.).
293. 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.
294. Provide a copy of any State or Federal regulatory audit performed within the last two years.
295. 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.
296. 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.
297. 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.
298. 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.
299. 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.
300. 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		
URAC		



- 301. 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.
- 302. Confirm that your proposal includes any and all deviations to the Sample Contract/ASA and other RFP requirements (via submission of Appendix F).
- 303. 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.
- 304. Have there been any mergers or acquisitions in the prior 24 months? If so, how will those deals impact NDPERS?

## References

- 305. 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)
- 306. 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.
  - g. Name of employer sponsoring plan and location
  - h. Type of services provided to plan sponsor
  - i. Plan inception date
  - j. Length of time as client
  - k. Number of contracts and members participating in the plan
  - l. Reason for termination
  - m. Contact information (name, title, phone number, email address)

## Implementation

- 307. What is your recommendation in terms of how long it will take to successfully implement NDPERS's program? Please provide us with a proposed implementation plan – include level of resources, tools, timelines, etc.
- 308. Please define in detail your expectations of NDPERS (deliverables, resource access, etc.) to support and facilitate the implementation process.
- 309. Please describe the general services you will furnish, as well as the specific services you will render in connection with the implementation, printing of booklets, forms, etc.
- 310. Who will comprise your dedicated implementation team and what roles will they serve?
- 311. What document templates / tools do you use to track progress and monitor open issues and tasks during implementation?

- 312. When does the implementation team get phased out and replaced by the account management team?
- 313. Who has the ultimate responsibility for issues that occur during implementation?
- 314. Please describe the formulary and benefit design accuracy testing processes that occur during implementation? After implementation? How are issues found and handled?
- 315. If an error occurs in coding of the formulary or plan design during implementation, what is your typical turnaround time to resolve the issue?
- 316. What type of training will you provide during implementation on your systems and reporting tools? Will the training be provided on-site at NDPERS's location if desired?

## **Account Management**

- 317. The selected PBM will be expected to provide a dedicated account team to NDPERS. Confirm compliance with this requirement and describe the role of each proposed account team member, and include the resume for each.
- 318. How will executive level support interface with the account team?
- 319. Provide an organizational chart for the NDPERS dedicated account management group and reporting structure to your management team.
- 320. What are your staff turnover rates (%) and associated reasons for turnover (e.g., promotion, resignation, involuntary, etc.)?
- 321. What commitments will you make to ensure the consistency of the account team members you have proposed for NDPERS?
- 322. Do you regularly survey your clients for their satisfaction with the quality of account management support provided by your firm? Please provide a copy of the assessment tool used.

## **Innovation**

- 323. What unique and differentiated capabilities can you offer to NDPERS?
- 324. What innovative opportunities would provide value to NDPERS members and constituents? Please provide examples that include the value to our members and to NDPERS?
- 325. How will the PBM strengthen the NDPERS value proposition; NDPERS expects to provide high quality, cost effective healthcare to individuals?
- 326. What actions would you recommend we take so that we can recognize significant cost savings, including specialty drug cost?

## **Member Services**

### **System Access / Capabilities**

- 327. 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.
- 328. Does your customer service inquiry system allow representatives to record comments so other customer service representatives can view previous notes to assist members?

## **Telephone**

- 329. What is the location of your 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?
- 330. Are your pharmacy call center operations integrated for retail and mail, or do you maintain separate call centers?
- 331. Is your Pharmacy/Member Help Desk available 24x7x365?
- 332. Please provide the following information regarding the call center(s) you propose to use for NDPERS business:
  - Number and average length of service of customer service representative
  - Annualized attrition rates for 2016 and 2017
  - Annual call service results (total service factor, average speed of answer, and abandon rate) for 2016 and 2017
- 333. Describe how you manage spikes in call volume that typically occur in January.
- 334. How do you ensure that your CSRs are providing timely and accurate information? How do you monitor first call resolution and member inquiries that get resolved?
- 335. What non-English language customer service staff or programs are available to assist NDPERS members?
- 336. Describe the qualifications and experience of the staff who handle PA requests. Please provide the annualized attrition rates for 2016 and 2017 for this staff.
- 337. What level of pharmacist support do you provide to your PA unit?

## **Website**

- 338. What reading grade level are your website communications written to? Does the website include information in Spanish? What other languages? What customization is allowed related to member communications on the website?
- 339. Does your website provide NDPERS – Client specific plan information?
- 340. 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?
- 341. Can members see their prescription drug history on your website? Are claims displayed, as well as, accumulators towards MOOP? Are less costly formulary alternatives recommended when reviewing drug history?
- 342. Describe the web-enabled pricing comparison tools available to your members. Does it provide pricing detail by pharmacy?
- 343. Describe any additional web-based capabilities that could benefit NDPERS and our members.
- 344. Describe the staff and experience level of individuals who respond to member inquiries received via email. What turnaround times and quality rates do you guarantee for email responses?

## **Communications**

- 345. Provide samples of communication material and welcome packets.

346. Do you provide non-English speaking members with educational materials in their native language?
347. How will you assist with notifying members when new benefits are implemented or formulary status of medication has changed?
348. Does your system have the capability to guide the CSRs to suggest lower cost alternatives including cross-class therapeutic opportunities?
349. Describe the system used to monitor the number of calls, average speed of answer and abandon rates. Describe in detail your time range standards. How often will this information be shared with NDPERS? Provide a sample report.
350. How will you monitor for trends in unanticipated call types and volume due to internal and external events. What is your notification process to NDPERS?
351. How do you define / track member complaints and/or grievances? How do you report the complaints and grievances? What are your turnaround times? Describe your workflow process. How are complaints/grievances tracked by reason code? Do you maintain a complaint log? Describe your complaint resolution process.
352. Do you have an executive level complaint department? Describe the process from intake to resolution.
353. Describe the appeal process. Provide materials used for member, physician, and pharmacy notification and provide your workflow process including turnaround times. How do you manage the process differently for states with unique requirements?
354. Describe in detail how written inquiries are handled.
355. Provide your customer service goals and actual performance rates for PBM 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?
356. Describe the level and frequency of customer service reporting you would provide NDPERS.

### Claims Processing/Adjudication

357. Are ID cards the sole means of determining member eligibility? In the event eligibility cannot be confirmed at the point of sale, is there a process in place to process the claim? If the process is something other than the member paying retail price and submitting a claim for reimbursement, please describe that process.
358. What is your process for handling disputed claims?

359. How do you track plan benefit changes that occur? Please describe how you provide quality assurance for these changes.
360. Direct Member Reimbursements (DMR)
- Please provide a copy of your policy document regarding processing/reporting of paper claims and the claim form required for paper claims submissions
  - How do you handle receipt of a form that is incomplete or not in the required format?
  - Describe the criteria used to screen paper claims for possible duplicates
  - What is your turnaround time for paying manual claims? Define how this is measured.
361. Subrogation: Identify subrogation opportunities within pharmacy claims area (e.g., Auto, Workers' Comp).
362. Coordination of benefits program (Paper & Electronic claims)
- What procedures are in place to collect and utilize COB information retrieved from members, or other sources?
  - Describe your COB process for secondary claims processing/payment
  - Does your system adjudicate COB claims automatically, real time?
363. 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?
364. 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?
365. 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
  - Mandatory mail order programs for brands, generics or both
  - 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
366. How do you coordinate the accumulator for prescription with the NDPERS selected medical provider?
367. What quality assurance measures are taken to ensure that the federal and/or state laws for member submitted claim turnaround times are adhered to? What is the frequency of validation that all laws are being adhered to?
368. Audit services:
- 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.
  - How often do you audit the accuracy of plan pricing and overall adjudication accuracy? Please describe this process.
  - Provide a copy of your most recent SSAE 18 results.
  - What is the average drug cost savings achieved?
  - NDPERS requires an unfettered right regarding the selection of an auditor (no PBM input or sign-off) to perform its audit functions of the PBM, pharmacy or downstream contractors. Please note any issues or concerns that the PBM may have with this requirement.
  - Once claims are archived, what is the retrieval timeframe if needed for an audit?

## Information Technology

Please specify per Claims Processing, Administration, Information Management and Fulfillment system wherever the specific system is not specified.

369. Describe your options for external system connectivity and data transfer including web enabled services/technology.
370. PBM may be asked to transfer robust data set to authorized third party performing data aggregation services free of charge. The file format must include NDC, ingredient cost/AWP, billed amount, charged amount, allowed amount, dispensing fee, admin fee, etc. Can the PBM comply with this request if required?
371. 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, etc.?
372. Are there any major system enhancements or conversions planned or being considered within the next 36 months? What is the potential impact on NDPERS implementation?
373. 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.).
374. Describe the administrative functionality that NDPERS would have at their desk-top (customer service, client services, eligibility, reporting, etc.) and what functionality would be performed by you.

375. 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.
376. Describe your practices for prevention of identity theft and compliance with any applicable legal requirements, including FTC Red Flag Rules, to the extent applicable. Are customers / businesses notified if a breach occurs? What are the intern/external processes for managing a breach?

## Reporting

377. Describe your general reporting capabilities
378. What is your ability to provide customized and/or ad-hoc reporting?
379. What is the turnaround time for ad-hoc / custom reporting?
380. What is your capability to report on:
- Provider prescribing patterns
  - Rx fills by pharmacy
  - Utilization by zip code
  - Utilization by plan design
  - Additional items
381. What is your ability to provide web-based reporting? Does the user have the ability to create custom queries, drill-downs, etc?
382. Do you provide on-line and/or in-person training for web based reporting? Please describe.
383. Explain your ability to comply with the NDPERS current data warehouse arrangement by providing 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.
384. Do you provide online dash board reports? Please provide sample screen shots.
385. Do you participate in the ND Health Information Network (NDHIN) reporting?

## Mail Service

386. How are members able to track their orders at mail?
387. How long will you hold a prescription that requires an intervention before returning, filling, or calling members at mail?
388. What are the operating hours of the mail centers?
389. What is protocol if mail center does not have a drug in stock?
390. Does your mail order operation have error tracking capabilities and reporting on a client specific basis?
391. Will postage increases be charged to NDPERS?
392. Does your mail service pharmacy perform any interventions that are not performed in retail or are the interventions the same?

393. Confirm you offer expedited delivery of mail order prescriptions.
394. How long will you hold a prescription that requires an intervention before returning, filling, or calling members?
395. Do you retain member credit cards? If so, what security measure do you employ to protect this information?
396. In the last six months, what percent of prescriptions, once received, were turned around in 24, 48, 72 hours or greater?
397. When a prescription comes up as not covered (i.e., a new prescription for non-covered drug), do you notify the patient? Do you provide a Notice of Appeal Rights?
398. Do you provide DME items? Are you able to adjudicate a DME benefit?
399. Are you willing to agree that medications shipped in error, damaged in shipment, lost in transit, left by courier without confirmation of receipt when requested, and rendered unusable by NDPERS due to negligence or error in delivery process will not be the financial burden to NDPERS or our patients? How are these types of shipping errors reported to NDPERS?

## Formulary

400. Describe your process for reviewing and updating your formulary including details on your pharmaceutical & therapeutics (P&T) committee.
- Summarize your process for reviewing and updating your formulary
  - What are the required qualifications for P&T committee members?
  - Do any of them accept grant money from drug manufacturers and how is this monitored?
  - How are P&T committee members compensated?
  - Can client representatives attend or participate in P&T committee meetings?
401. Please provide the number of formulary options available to NDPERS with a short description for each one.
402. Please indicate which formulary is being proposed for the NDPERS and why
403. Describe your policy regarding formulary changes and your procedures for educating and notifying members. Describe/outline your process to provide notification of formulary changes to affected individuals.
404. Please describe how you manage drugs with rapid price inflation? Please explain if there are management protocols to protect the NDPERS?
405. Please describe your experience administering value-based benefits design.
406. Please describe the ability to integrate with NDPERS' health program administrator to enable more proactive disease management and case management.

## Rebates

407. NDPERS will require the successful PBM bidder to provide quarterly rebate reports that indicate the dollar volume of rebates collected at the drug name level and all pharmacy manufacturer revenue. Indicate your willingness to comply.



408. Provide an example of the drug-level rebate payment report you would propose for NDPERS.
409. What audit rights will NDPERS have to the rebate contracts? Are there limitations on how many manufacturer contracts can be audited on an annual basis? Please describe.
410. PBM's willingness to agree to a full pass-through for all rebate earnings (including administrative fees) driven by plan's specific utilization, with full audit rights to manufacturer contracts, rebate payments, and administrative fees?

## Clinical Programs and Drug Utilization Review

### Clinical Programs

411. 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
412. Do you align your performance measurement with any of the national quality measures (e.g. HEDIS)?
413. Based on the claims file provided by NDPERS, what are the most significant clinical opportunities? Please address this question from both from a cost and member health standpoint.
414. 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?
415. Explain measures at all levels (member, pharmacist, provider) you are taking related to the opioid crisis and monitoring/limiting access to opioid medications?
416. Are you able to support the NDPERS About the Patient Diabetes Program (drug adherence program)?

### **Clinical Edits and Prior Authorization (PA)**

- 417. Provide a list of agents PBM recommends for PA, step therapy, and quantity limits. Provide a table with the PMPM savings impact of each recommended edit.
- 418. Provide a flow chart that describes your prior authorization process, including type of personnel involved in the process. For which Prior Authorizations do you charge? Please list these charges in the pricing section.
- 419. Describe how you calculate return on investment of prior authorizations performed. What reports do you provide to your clients to assess ROI, denial rate, appropriateness of denials?
- 420. Describe your quality assurance measures for your prior authorization process. What reports and tools do you provide for clients to assess if state/federal/NCQA quality measures (e.g. timeliness, overturn rates, accreditation) are met?

### **Clinical Program and Utilization Analytics**

- 421. What tools and analytics do you offer to help manage the pipeline, perform forecasting, and understand trend management? Are these analyses provided with benchmark comparisons?
- 422. How are medical claims data integrated with pharmacy claims data to better understand drug spend?
- 423. Do you offer predictive modeling for benefit design, formulary and utilization management planning with capability to predict the financial and member impact, i.e., “what if” scenario modeling?

### **Drug Utilization Reviews (DUR)**

- 424. Describe all programs related to: 1) identification and management of potential abuse by members, providers and pharmacies, 2) assessing over and under prescribing by doctors, identification of potential fraud
- 425. 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?
- 426. What reports and/or services do you provide to clients to evaluate volume, type, and outcome of drug interaction hits?
- 427. Does your Retrospective DUR (RDUR) Program target physicians and members? How do you notify physicians and members?
- 428. Please provide a list of RDUR areas examined regularly by your firm.

### **Network**

- 429. 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)
- 430. 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

431. 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?
432. Describe any compensation or incentive programs you offer to retail pharmacies to influence the types of drug dispensed.
433. What incentives are offered to encourage generic dispensing and utilization?
434. Please describe your credentialing process including the process for removing pharmacies from the network. How often is credentialing/re-credentialing undertaken?
435. Please describe your quality assurance process for network contracting and credentialing.
436. Please explain your strategies to address Any Willing Provider laws, both in regard to retail network and specialty.
437. Do you have a specialty network? Please describe the processes and standards that are required for entry.
438. What flexibility would you provide in evaluating narrower network opportunities to achieve enhanced discounts for NDPERS?
439. What does your network reporting package include? Please provide a sample report.
440. Does the PBM maintain a comprehensive MAC list for its business: one MAC available for medications purchased via Mail and one MAC for Retail, can the PBM comply?
441. Will you allow 90-day at retail? Describe your 90-day retail network and potential cost savings to NDPERS.
442. Please describe your process (including costs) of setting up custom/limited networks.
443. Provide a comparison of your 30 day vs 90 day network in North Dakota.

## Eligibility

444. What is your process when a request is received for prescriptions from someone who is not eligible, or shown as terminated from the Plan?
445. Will you be able to provide NDPERS with a team of individuals to make manual eligibility changes?
446. Do you have any restrictions to the eligibility file layouts that you can support?
447. What happens if a record on file is rejected via the load process? What is the process to reconcile a file load? How quickly is the report/reconciliation regarding the file load returned to the Plan?
448. What system edits and processes do you have in place to ensure that an incorrectly submitted NDPERS file does not have a significant impact to the Plan's eligibility? Please describe these processes and systemic edits with specific examples of what they prevent.
449. Will NDPERS be able to make online eligibility changes real time? Describe the internal and external systems security measures in place. Describe any charge for this access.
450. If members are added online, how does the eligibility file process against that member if the data is not the same?

451. Can your system term a full line of business or does NDPERS have to submit an individual termination for each member?

## Specialty Pharmacy

452. What actions are you doing in the specialty drug arena to control costs?
453. Please provide your list of specialty drugs and associated rates in your cost proposal (Appendix D2).
454. Do you own your own specialty pharmacy division or does PBM subcontract specialty pharmacy services?
455. Describe your end-to-end specialty pharmacy fulfillment process.
456. Are specialty drug claims included in your on-line reporting system? In your ad-hoc reporting system?
457. Describe how specialty pharmacy data is integrated with outpatient prescription data for DUR, benefit design, and other system edits.
458. Describe your specialty drug trend forecasting services. For example, how is the specialty drug pipeline monitored and what modeling tools are available to demonstrate the financial impact to the Client?
459. Describe your process for detection and controlling fraud, waste and abuse specific to specialty pharmacy. How do you do control for duplicate claims (specialty drugs covered under medical and pharmacy benefit)?
460. Do you have infusion capabilities? Do you arrange for nursing?
461. Are there any specialty drugs that you dispense in a mail setting, if so what is the criteria?
462. Do you accept and adjudicate Patient Assistance Programs?
463. What support do you provide in terms of financial counseling and alternative options to assist with medication costs?
464. What is your organizations strategy around bio-similars? What will the approval process be for these new drugs and how will they be incorporated into your formularies?
465. Do you have an expectation that bio-similars will result in reduced cost for your clients?

## Financial

**NOTE: Submit your pricing proposal separately from that of your qualitative proposal using Appendix D.** In addition to your requested financials terms, you will be asked to confirm pricing assumptions and answer financial questions within the cost proposal.

466. Please provide the following information as it relates to each of your top five (5) health Plan clients:
- Average covered lives
  - Annual triple net pharmacy trend [Ingredient cost (including dispensing fees), less member co-pays/co-insurance, less Rx rebates] based on PMPM.
  - Annual double net pharmacy trend [Ingredient cost (including dispensing fees), less member co-pay/co-insurance] based on PMPM
  - Annual single net pharmacy trend [Ingredient cost (including dispensing fees)]

- Annual utilization trend – per member

### Preference Criterial

467. 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.
468. Appendix A2 is a sample contract for a carve out PBM. Please review and redline per the instructions in Appendix F.
469. If the work you are proposing would be covered under a different contract please attach that to your proposal with the necessary identification and discussion of how this contract is different and why from the one PERS included.

**ND Health Info Network (NDHIN) – The state health information exchange enables users to easily and efficiently view information relating to a patient’s electronic medical record.**

470. Will you agree to support this effort as part of your efforts for NDPERS?



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

**Scott Miller**  
Executive Director  
(701) 328-3900  
1-800-803-7377

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# Memorandum

**TO:** NDPERS Board

**FROM:** Sharon Schiermeister

**DATE:** September 20, 2018

**SUBJECT:** Employer Group Termination

At the September 11 meeting, the Board reviewed the options for promulgating rules to change NDAC 71-02-08-02, which requires that the actuary must use the plan's interest assumption used for funding purposes when performing the withdrawal valuation.

The Board was also advised that we have received formal notification from one of our employers that they will be terminating participation in the NDPERS retirement plan effective October 1, 2018. The Board asked for additional information that would demonstrate the effect that different interest rates have on the withdrawal liability calculation.

We asked our actuary, GRS, to provide calculations for the employer who is withdrawing to illustrate the sensitivity of the withdrawal liability to different interest rate assumptions. See Attachment 1. As the analysis demonstrates, the interest rate does have a fairly significant impact on the liability calculation.

The question for the Board is whether we should initiate the rule-making process now, solely for the interest rate change, or wait until after the 2019 session and include it as part of our normally scheduled rule-making process. If the Board would like to proceed now, staff could draft the proposed rule change for your review at the October meeting.

## **Board Action Requested:**

Determine when to move forward with the rule-making process to change the interest rate specified in NDAC 71-02-08-02

September 18, 2018

Ms. MaryJo Anderson  
North Dakota Public Employees Retirement System  
Bismarck, North Dakota

**Re: North Dakota Public Employees Retirement System – Sensitivity of Net Unfunded Employer Withdrawal Liability for XXXXXXXX (employer id XXXXX)**

Dear MaryJo:

In accordance with your request, we are providing calculations for the withdrawal of XXXXXXXX (employer id XXXXX) from the North Dakota Public Employees Retirement System (NDPERS) as of October 1, 2018, to illustrate the sensitivity of the withdrawal liability to different interest rate assumptions.

Please see the letter with the withdrawal calculation details for further information on the census data and asset allocation method used.

**Investment Return Risk Associated with Assumptions Used in Liability Calculations**

Because the benefit obligations for members whose employers withdraw from NDPERS are left with the System, NDPERS assumes the risks and the additional costs if actual experience is unfavorable compared to the actuarial assumptions used to assess the employer's withdrawal liability. Therefore, it is important to understand the risks and to use assumptions in the calculation of the liabilities that will appropriately recognize these risks.

If plan assets earn less than the assumed rate of return used in the calculation of liabilities for withdrawing members, there will be an actuarial loss to the System and therefore, a shortfall in the amount contributed by the withdrawing employer that will need to be paid by the remaining employers in NDPERS. However, the ND Administrative Code specifies that "The interest assumption used must be the plan's interest assumption used for funding purposes." This rate is currently 7.75 percent.

The attached November 2013 Issue Brief from the American Academy of Actuaries distinguishes between a "budget liability" such as the actuarial accrued liability used in the funding valuation and a "solvency liability" on a market basis. Page 3 of the Issue Brief states the following:

*An important characteristic of the solvency value is that it is intended to fulfill the benefit obligation without additional funds. This requires that the portfolio be free of default risk or else additional funds may be needed. Treasury securities are the only broadly available securities that are generally considered free of default risk.*

In the case of an employer withdrawal from NDPERS, it is our understanding that there would be no subsequent additional funds from the withdrawing employer. This is precisely the situation requiring a solvency liability calculation as described in the Issue Brief and is a strong rationale for using a lower investment return assumption for calculating the withdrawal liability.

### **Calculation of the Liabilities (Value of Accrued Benefits)**

The following approach was used to calculate the accrued liability as of October 1, 2018, for the XXXXXXXX participants:

- Accrued service as of the withdrawal date is based on the actuarial valuation data as of July 1, 2018, and projected to October 1, 2018;
- Final average salary is calculated as of the employer withdrawal date; and
- Members are assumed to start receiving their frozen benefit at first retirement eligibility.

The following assumptions and methods were used to calculate the withdrawal liability (frozen liability). In this letter, we have illustrated the liability under different interest rates (in addition to the rate required to be used of 7.75 percent).

1. The assumed rate of return required by administrative rule\* (currently 7.75 percent)
  - *The interest assumption used must be the plan's interest assumption used for funding purposes.*
2. The most recent mortality tables with the most recent mortality improvement scales that are available
  - RP-2014 Annuitant mortality table, sex distinct
  - Future mortality improvements are reflected by projecting the base mortality tables back from the year 2014 to the year 2006 using the Society of Actuaries (SOA) MP-2014 scale and projecting forward from 2006 using the SOA MP-2017 projection scale. The assumptions are generational mortality tables and include a margin for improvement.
3. Benefits are assumed to commence at earliest eligibility with applicable early retirement reductions applied
4. A 5% administrative expense load
5. No future benefit accruals after a full withdrawal

\*The Board and Staff will explore updating the Administrative Code in the Spring of 2020 regarding the required assumed rate of return to use for withdrawal calculations.

The net unfunded withdrawal liability is equal to the frozen liability minus the allocated assets. The allocated assets were calculated as of July 1, 2017, and include an interest adjustment to October 1, 2018, using the PERS actual rate of investment return for fiscal year 2018 of 9.14%.





The net unfunded withdrawal liability calculated under different interest rates is shown on Exhibit I. The rate of 3.62% is the municipal bond rate used for accounting purposes under Governmental Accounting Standards Board (GASB) 67 and 68 (for pension) and 74 and 75 (for OPEB) as of June 30, 2018.

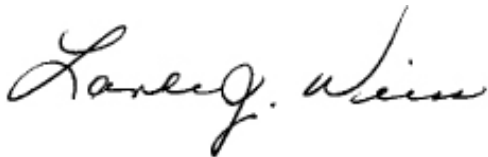
**Disclosures and Additional Information**

The signing actuaries are independent of the plan sponsor.

Lance J. Weiss and Amy Williams are Members of the American Academy of Actuaries (MAAA) and meet the Qualification Standards of the American Academy of Actuaries to render the actuarial opinion herein.

Please let us know if you have any questions or would like to discuss the considerations in this letter further.

Sincerely,



Lance J. Weiss, E.A., M.A.A.A., F.C.A.  
Senior Consultant and Team Leader



Amy Williams, A.S.A., M.A.A.A., F.C.A.  
Consultant



XXXXXXX - Final Frozen Liability as of 10/1/2018 (With Admin Load)						
Interest Rate	7.75%	6.75%	5.75%	4.75%	3.75%	3.62%
Active Members	\$ 580,598	\$ 643,131	\$ 720,323	\$ 817,202	\$ 941,048	\$ 959,639
Inactive Vested and Non-Vested Members	155,980	169,729	186,654	207,832	234,814	238,856
Retired Members and Beneficiaries	345,637	369,011	395,305	425,011	458,726	463,439
Total	\$ 1,082,215	\$ 1,181,871	\$ 1,302,282	\$ 1,450,045	\$ 1,634,588	\$ 1,661,934
XXXXXXX - Allocated Assets as of 10/1/2018						
Assets	\$ 752,946	\$ 752,946	\$ 752,946	\$ 752,946	\$ 752,946	\$ 752,946
XXXXXXX - Net Unfunded Withdrawal Liability as of 10/1/2018						
Interest Rate	7.75%	6.75%	5.75%	4.75%	3.75%	3.62%
Net Unfunded Withdrawal Liability	\$ 329,269	\$ 428,925	\$ 549,336	\$ 697,099	\$ 881,642	\$ 908,988



### Key Points

- Two common measurements of pension obligations have significantly different meanings.
- Market-based methods use a discount rate based on observable data from the financial markets. Expected return-based methods use a discount rate based on the estimated return of the plan's investment portfolio.
- The *solvency value*, a market-based measurement, determines an amount that a pension plan needs to invest in default-free securities to provide the benefits with certainty.
- The *budget value*, an expected return-based measurement, determines an amount that will be sufficient to provide benefits if the portfolio earns the expected return on assets.
- The difference between the two represents the gain the sponsor anticipates by taking on risk in a diversified portfolio.
- Plans funded at the budget level and invested in a diversified portfolio are likely to experience either insufficient or surplus assets, and benefit security is affected by the plan sponsor's ability to make additional contributions if an adverse investment experience materializes.

## Measuring Pension Obligations

### Discount Rates Serve Various Purposes

Tens of millions of U.S. workers and retirees belong to pension plans that are the subject of heated debates surrounding the discount rate used to measure pension obligations. The American Academy of Actuaries' Pension Practice Council developed this issue brief to inform public policymakers and the general public about different measurements of the obligations of defined benefit pension plans.

Put simply, a pension is a series of payments made to retirees, usually for their lifetimes. An actuary estimates the payments that will be made for all potential retirees from the plan in each future year. Although an estimate, considering these payments as a certain stream of future cash flows is helpful to understand pension measurement.

Expressing the value of this future series of payments as a single amount on a specific date is required for several purposes, including financial statement preparation, funding decisions and regulatory compliance. This amount is an estimate of the *present value* of the obligation and is dependent on the discount rate, the interest rate used to bring future cash flows to the present to account for the time value of money. The intended use of the estimated present value influences how the measurement is determined. Although the estimate is useful for several purposes, the actual obligation remains the payment of the benefits when due.

This issue brief explores two approaches for selecting discount rates when measuring pension obligations, describes the meaning

The American Academy of Actuaries is a 17,500-member professional association whose mission is to serve the public and the U.S. actuarial profession. The Academy assists public policymakers on all levels by providing leadership, objective expertise, and actuarial advice on risk and financial security issues. The Academy also sets qualification, practice, and professionalism standards for actuaries in the United States.



of each measurement, and characterizes the difference between them in terms of investment risk and potential gains and losses. Understanding the measurements of pension obligations requires recognizing the purpose and meaning of each one.

## Two Measurements

The two approaches for selecting discount rates used to determine the present value are the *market-based method* and the *expected return-based method*.

Using a market-based method, a discount rate is selected by looking at observable data in the financial markets at the measurement date. Market-based methods use fixed-income yield data because fixed-income securities are similar to the pension obligations – both make fixed payments in future years. Market-based methods vary in the amount of default risk recognized. For example, financial statement disclosures for private-sector employers use AA corporate bond rates, plan-termination measurements use insurance company premium quotes, and solvency measures (discussed further below) often use U.S. Treasury bond rates.

Using an expected return-based method, a discount rate is selected by looking at the asset allocation of the pension plan investment portfolio and estimating the average return the portfolio is expected to produce during the time period in which benefits are paid. State and local government plans, multiemployer plans,

and some private sector plans not subject to the Pension Protection Act<sup>1</sup> funding rules commonly use expected return-based methods. The expected return-on-assets estimate is based on the assumption that the asset allocation will be maintained in the future.

The two methods may produce the same result if a pension portfolio is invested entirely in the same type and duration of fixed-income securities used to select the market-based discount rate, but this is uncommon. Usually, the actual investment portfolio contains securities expected to generate returns greater than the fixed-income returns used by the market-based methods. Thus, the expected return-based discount rate will be higher and the resulting measurement will be lower than the market-based method.<sup>2</sup>

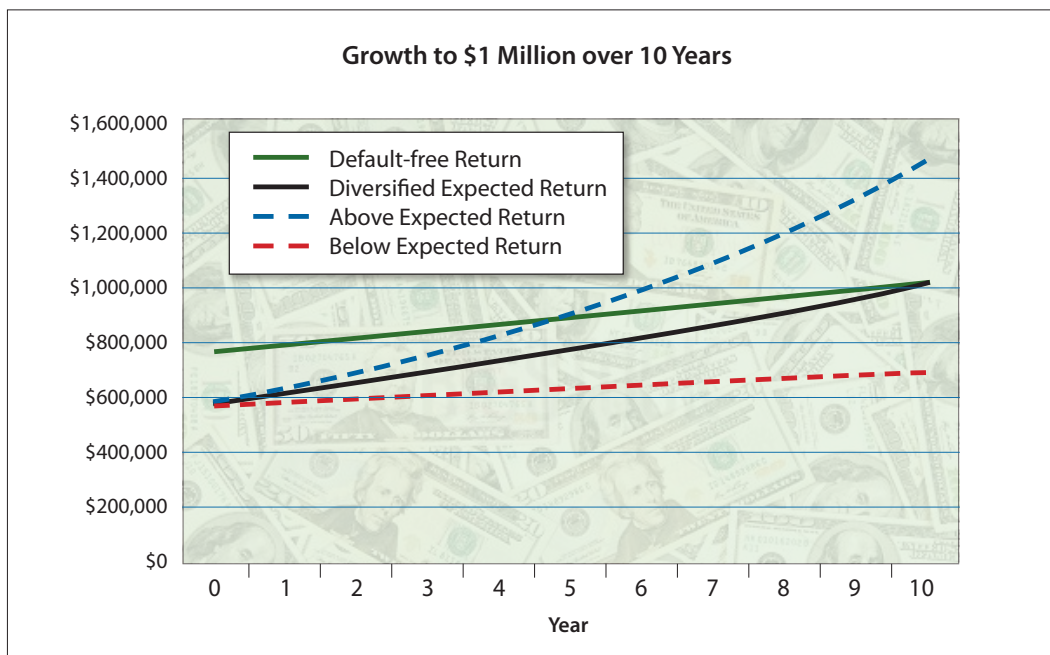
The two methods differ in the relative certainty (the confidence level or probability) that assets equal to the present value would grow as expected if invested as the method assumes. A simplified example is useful to illustrate the level of certainty associated with each.

Assume you promise to pay \$1 million to another party in 10 years and that you are deemed certain to pay your debt. You could fund this debt with a 10-year zero coupon Treasury note. If the note had an effective return of 3 percent, an investment of \$744,000 would be sufficient to fund the debt with 100 percent certainty. You might also fund the debt with a smaller amount invested in a diversified portfolio of assets. If you could reasonably expect the portfolio to return 6

<sup>1</sup>Public Law 109–280 (Aug. 17, 2006).

<sup>2</sup>In some periods of high interest rates such as the early 1980s, many pension plans used discount rates less than default-free rates.

Members of the Pension Practice Council include: Stephen Alpert, MAAA, FSA, FCA, MSPA, EA; Michael Bain, MAAA, ASA, EA; Janet Barr, MAAA, ASA, EA; Eli Greenblum, MAAA, FSA, EA – vice chairperson; William Hallmark, MAAA, ASA, FCA, EA; Kenneth Hohman, MAAA, FSA, FCA, EA; Evan Inglis, MAAA, FSA, EA; Ellen Kleinstuber, MAAA, FSA, FCA, MSPA, EA; Gordon Latter, MAAA, FSA; John Moore, MAAA, FSA, FCA, EA – chairperson; Tonya B. Manning, MAAA, FSA, FCA, EA; Andrew Peterson, MAAA, FSA, EA; Jeffrey Petertil, MAAA, ASA, FCA; Michael Pollack, MAAA, FSA, EA; David Sandberg, MAAA, FSA, CERA; Tamara Shelton, MAAA, FSA, FCA, EA; John Stokesbury, MAAA, FSA, FCA, EA; James Verlautz, MAAA, FSA, EA



percent, an investment of just \$558,000 would be expected to fund the debt, but the ability to meet the obligation with the invested assets would be less certain. The portfolio might earn more or less than 6 percent over the 10 years.

Your creditor would be willing to accept the \$744,000 Treasury note in settlement of the debt now, since both your debt and the note are certain to pay \$1 million in 10 years. But your creditor would not accept the \$558,000 diversified portfolio in lieu of the debt because there is no longer certainty that \$1 million will be available in 10 years and there is no compensation for the additional risk accepted.<sup>3</sup> The higher \$744,000 required using the Treasury investment can be considered the price of providing certainty and the \$186,000 reduction using the diversified investment is

the anticipated savings of the debtor that may result when the debtor accepts the additional investment risk.

### Solvency Value – A Market-Based Measurement

The *solvency value*<sup>4</sup> is the amount needed to fulfill all benefit obligations when invested in a portfolio of securities free of default risk whose cash flows match the future benefit payments.

An important characteristic of the solvency value is that it is intended to fulfill the benefit obligation without additional funds. This requires that the portfolio be free of default risk or else additional funds may be needed. Treasury securities are the only broadly available securities that are generally considered free of default risk. For the purposes of this brief, it is presumed

<sup>3</sup>A creditor willing to take risk could accept the \$744,000 Treasury note, sell the note and invest in a diversified portfolio.

<sup>4</sup>The terms “solvency” and “budget” (introduced in the next section) are used in the [Pension Actuary’s Guide to Financial Economics](#). The meaning in this paper is the same as in that guide. These terms may be used in other contexts with different meanings.

that a portfolio of Treasury securities that produces future cash flows with the same timing as the promised pension benefits would be certain to be capable of fulfilling the pension obligation.<sup>5</sup>

The discount rate used to calculate the solvency value is based on the Treasury yield curve or the return on the assets of the hypothetical Treasury portfolio. When expressed as the return of the hypothetical portfolio, the rate will vary depending on the timing of future benefit payments, or equivalently, based on the duration of the portfolio.

The solvency value, like any market-based value, will change when interest rates change but does not change merely because the asset allocation of the actual portfolio is changed. The solvency value is independent of the actual investments. In our example, the solvency value is \$744,000.

Valuing future pension benefits with a default-free discount rate such as the return on a hypothetical Treasury portfolio provides a reasonable measurement of the amount of assets needed today to provide the estimated benefits with no additional funds.

### Budget Value – An Expected Return-Based Measurement

The *budget value* is the amount that is expected to be sufficient to pay all benefits when due if that amount is invested and earns the anticipated return of the plan's investment portfolio. When the portfolio is diversified<sup>6</sup> and the return is uncertain, additional funds may be needed when returns are less, and surplus assets may develop when returns are greater than the expected return.

If the portfolio is diversified to include securities seeking greater returns, the anticipated

return will be higher and the budget value will be lower than the solvency value. Because of the risk aspects of the portfolio, insufficient or surplus assets may develop, and the budgeting process will have to be adjusted for this differential over time.

The budget value differs from the solvency value in that the selection of the discount rate is based on judgment of future market performance while the solvency discount rate is based on observable data in current markets. Selection of a reasonable rate is essential to the viability of the budget method. The expected return on assets often represents the median or the average of an array of estimated rates based on the potential variability of the return of the portfolio.

The diversified portfolio and the lower budget amount also result in greater uncertainty of the future contributions required of the plan sponsor. With a diversified portfolio and funding based on the budget measurement, the level of sponsor contributions are sensitive to total investment returns, which are affected by interest rates, defaults, and equity (including stock, real estate, hedge fund) price movements. Thus, returns in a diversified trust are expected to be variable, not consistently equal to the expected return. The inevitable result is that sponsor contributions to keep the plan funded at the budget value will be more volatile; or, if contributions are kept stable, unfunded or surplus amounts will develop. In practice, both volatile contributions and unfunded or surplus amounts are experienced by plans using the budget method.

The expected return on assets is often set as the median expected return of a wide range of possible outcomes. This means that perhaps 50 percent of the time the budgeted amount will be

<sup>5</sup>Constructing such a portfolio is not possible for most pension plans, partially due to the very long payment periods. Nevertheless, this hypothetical portfolio is useful for explaining solvency value and can be approximated in the markets with the use of derivatives.

<sup>6</sup>In this issue brief, diversified means any investments other than default-free assets that match the cash flow requirements of the benefit obligation.

insufficient and the sponsor will be called upon to make additional contributions. To the extent the plan sponsor cannot make additional contributions, the security of the benefits is at risk. The magnitude of the potential insufficiency is dependent on the actual return on investments compared to the expected return and can be significant.

Diversified portfolios are expected to have higher returns than Treasury securities. If the portfolio actually earns more than the solvency discount rate, benefits can be provided at a lesser cash cost than under the solvency model. In our example, the budget value is \$558,000, implying a targeted savings of \$186,000 compared to the solvency value. But this anticipated savings comes with added risk.

Valuing future pension benefits with the expected return on a diversified portfolio provides a reasonable measurement of the amount of assets needed today to provide the estimated benefits, but additional contributions may be required or surplus assets may develop.

## Risk and Reward

The difference between the solvency value and the budget value provides insight into the risk and potential reward of the diversified portfolio. If a plan sponsor does not invest in a matching portfolio of Treasury securities but instead uses return-seeking assets in a diversified portfolio, several changes occur. First, the expected return on the portfolio is likely to be higher. Therefore, the sponsor's target for funding is lower. At the same time, the magnitude of potential unfunded or surplus amounts increases. This increases the potential demand on the sponsor and the risk to benefit security.

Rational investors do not take risk without the opportunity for a commensurate gain. In

this case, the difference between the solvency value of the pension obligation and the budget value of that same obligation (\$186,000 in our example) can be thought of as a *target gain* for the plan sponsor. This target gain can also be viewed as the market value of the additional risk in the diversified portfolio.<sup>7</sup> Whether this potential gain is realized depends on the actual investment returns of the pension portfolio. The realized gains could be more or less than the target, and may be negative (i.e., the diversified portfolio may return less than the hypothetical Treasury portfolio). As in our example, the budget value would not be accepted as payment by another party to settle the pension obligation.

To reiterate, if the portfolio were invested as the solvency value anticipates, assets would accumulate to the amount needed to pay benefits since the return is certain. If the portfolio is diversified as the budget value anticipates, the asset accumulation is less certain and depends on the future return of the portfolio. Future returns less than the expected return will cause insufficiencies and additional contribution requirements. Future returns above the expected return will develop surplus assets and lower future contribution requirements.

Despite the uncertainties, several elements remain constant when risk is added to the portfolio – the benefit payments owed to the pension plan's participants and the sponsor's obligation to provide those benefits remain unchanged. The solvency value, which is independent of the actual investments, does not change. But the present value of the pension obligation as measured by the budget value decreases. This anomaly between the unchanged solvency value and decreasing budget value is reconciled by the sponsor's promise to fund additional amounts, if necessary. In effect, the plan then has a con-

<sup>7</sup>In theory, the target gain is the price of a put on the portfolio to protect against deficiencies, less the price of a call to sell the potential surplus. In practice, no markets exist for such puts and calls.

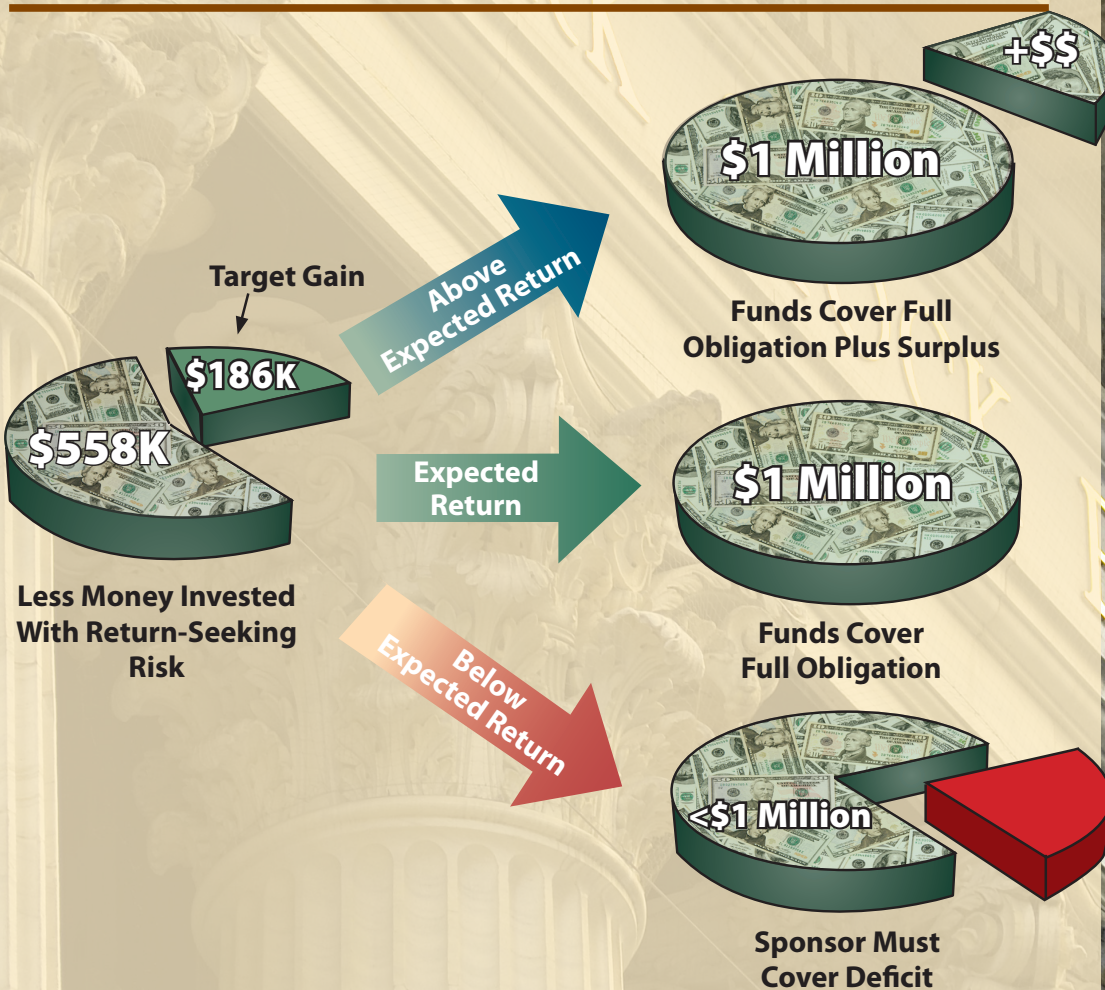


# PENSION MEASUREMENTS

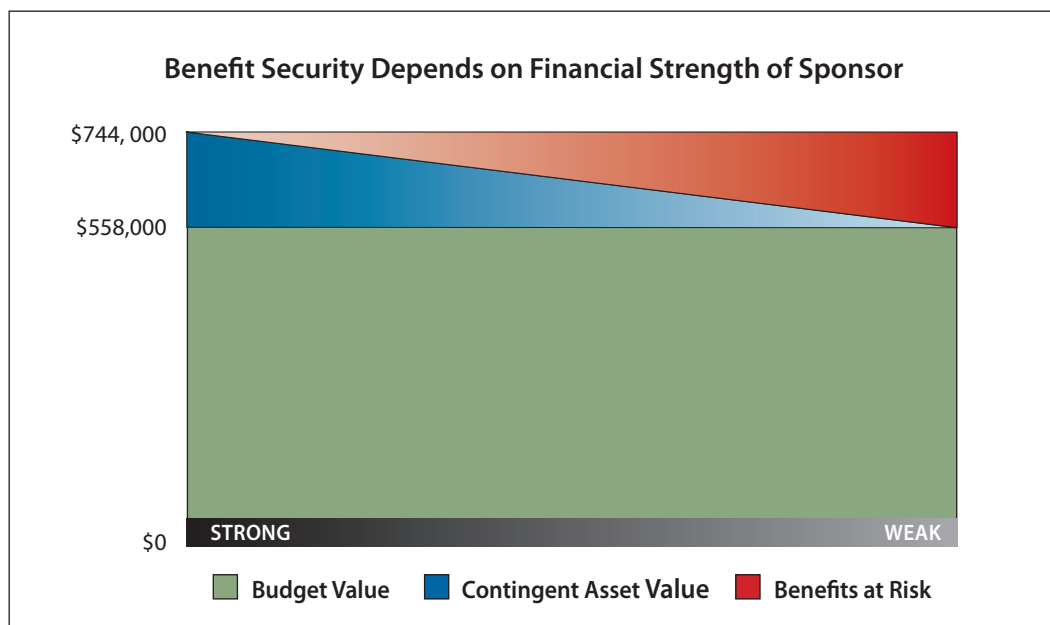
## Solvency



## Budget







tingent asset, the equivalent of a call option on the sponsor's assets if the budget amount proves inadequate.

This contingent asset can provide significant benefit security for plan participants if the plan sponsor is financially strong and remains capable of making any necessary additional contributions. In such a case, the budget value plus the contingent asset value is essentially equal to the solvency value. However, if the plan sponsor is financially weak or not capable of making additional contributions, the benefit security of the participants may be materially reduced.<sup>8</sup>

## Summary

The market-based and expected return-based methods of measuring pension obligations both use a rate of return on assets to determine a present value of future pension benefits, but the assets of the portfolios differ. The solvency value uses a

hypothetical portfolio of default-free securities that is independent of actual investments, while the budget value uses the expected return of the actual portfolio. The solvency value, if invested in default-free cash flow matching securities, provides certainty that the assets will be adequate to provide the benefits. The budget value provides less certainty and depends on the ability of the plan sponsor to make additional contributions in the event adverse investment experience materializes. The difference between the solvency value and the budget value represents both the market value of the investment risk in the diversified portfolio and the target gain or reward that the plan sponsor anticipates. Each method is useful for its intended purpose although the measurements may differ significantly.

<sup>8</sup>To the extent the plan is funded at less than the budget value the contingent asset and the risk to benefit security further increase. For additional discussion about funded status and considerations about the health of the sponsor, see the Academy's issue brief [The 80% Pension Funding Standard Myth](#).