



Consent

Agenda Item 3b

October 15, 2013

ITEM NAME: Contract Administration: Generation 3 Health Care Decision Support System

PROGRAM: Health Policy Research Division

ITEM TYPE: Action Consent

RECOMMENDATION

Approve executing the Generation 3 (GEN 3) Health Care Decision Support System (HCDSS) five-year contract with a total estimated value of \$18.3 million. The contract was awarded to Milliman, Inc., on August 30, 2013, based on a competitive procurement.

EXECUTIVE SUMMARY

At its December 12, 2012, the Finance and Administration Committee (FAC) approved the Semi-Annual Contracting Prospective Report, which included re-procuring the HCDSS (Request for Proposal 2012-6367) at an estimated value of \$15 million. The estimated value was based on the current HCDSS on the current data feeds and functionality. The contract value increase of \$3.3 million is due to the data file costs associated with the additional health plans approved by the Board of Administration (Board) in June 2013, and processing, analytic, and storage enhancements to the HCDSS.

STRATEGIC PLAN

This item is presented in compliance with the Board Contracting Activity Reporting Policy. The new GEN 3 HCDSS will directly support the three California Public Employees' Retirement System (CalPERS) Strategic Plan goals:

- "Improve long-term pension and health benefit sustainability."
- "Cultivate a high-performing, risk-intelligent and innovative organization."
- "Engage in State and national policy development to enhance the long-term sustainability and effectiveness of our programs."

BACKGROUND

Until the implementation of the first generation HCDSS in 2003, CalPERS counted on its health benefits partners (e.g. medical and pharmacy carriers) to deliver quality and cost effective programs to members, without data to verify partner performance,

utilization, or cost. In 2008, CalPERS moved to the second generation HCDSS, which provided CalPERS with the ability to gather additional data from its health plan partners, such as disease management program information. Over the past ten years, with the HCDSS and an expert knowledge of the data contained within, CalPERS continues to confidently assert the needs of the program. The five-year contract for the current second generation HCDSS vendor expires on June 8, 2014.

In 2011, The Health Policy and Research Division began its procurement process to secure a vendor for the new GEN 3 HCDSS prior to the expiration of the current contract. Competitively procuring a new data warehouse solution allowed CalPERS the opportunity to reassess the advances in technology and services, realize best value, and leverage future advancements and improvements. The new enhanced GEN 3 HCDSS will have the functionality to include Long-Term Care data; external benchmark data; enable payment and utilization analytics to identify double billing, upcoding, and other anomalies. Milliman, Inc. was awarded the contract on August 30, 2013, after a competitive procurement.

ANALYSIS

The increase in the estimated value of the HCDSS contract is due to the additional data file costs associated with the new health plans that the CalPERS Board approved adding at the June 19, 2013, Board Meeting, and enhanced functionality.

The HCDSS has been proven that it generates hard savings and other benefits. Its successful use is credited for much of the health program savings. Since 2008, CalPERS estimates total new and on-going savings for the health benefit program exceed \$1.2 billion, of which \$587.3 million savings were for the State's General and Special Funds.

Approval of the increase in the contract amount will allow CalPERS to continue to gather data from its health plan partners but with the enhanced functionality to include Long-Term Care data; external benchmark data; enable payment and utilization analytics to identify double billing, upcoding, and other anomalies; and, hold 15 years of data.

BUDGET AND FISCAL IMPACTS

The additional \$3.3 million will be used to execute the GEN 3 HCDSS contract and implement the new and enhanced GEN 3 data warehouse for five years.

BENEFITS/RISKS

Failure to approve the increase in the contract amount will result in CalPERS being unable to be on the front-line to control costs while assuring quality healthcare and defending the health benefits of the State of California and its contracting public agencies.

If the increase in the contract amount is not approved then CalPERS will not be able to receive data from the additional plans and add the enhancements.

ATTACHMENTS

Attachment 1 – Finance & Administration Committee Agenda Item 3b dated
December 12, 2012

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