



Choose Board or Committee Agenda Item 9

June 14, 2016

Item Name: Long-Term Care Third-Party Administrator Procurement Strategy

Program: Long-Term Care

Item Type: Information

Executive Summary

This agenda item provides an update to the Pension and Health Benefits Committee (PHBC) on the Third-Party Administrator (TPA) solicitation strategy, structure and process for the Long-Term Care (LTC) Program.

The outlined solicitation and competitive negotiation approach is consistent with Government Code Section 21663 and Public Contract Code section 6611. The expected outcomes for the solicitation include identification of top TPA proposals, agreement by proposers to contractual terms desired by the California Public Employees' Retirement System (CalPERS), and best and final offers for the Board of Administration (Board) consideration.

Strategic Plan

This item supports Strategic Goal Plan A "Improve long-term pension and health benefit sustainability."

Background

In accordance with Government Code Section 21663, CalPERS PHBC directed staff to initiate work on a solicitation to procure a new TPA contract for the LTC Program effective January 1, 2018. On March 16, 2016, the LTC Request for Information (RFI), RFI No. 2016-8187 was released to solicit information from TPAs about the services they plan to provide for the next three to five years, as well as, any innovations they currently employ or are contemplating employing in providing these services. Responses were returned before or on April 1, 2016.

Eight firms responded to the RFI, and a summary of responses is attached. The responses cover the following items:

- Administrative Services
- Account Management
- Underwriting and Issuance
- Preferred Provider Network
- Customer Service
- Report and Data Feeds
- Quality Assurance
- Policyholder Education
- Marketing and Policyholder Acquisition

- Stakeholder Engagement Strategies
- Innovation Strategies
- Product Development
- Benefit Changes
- Claims Administration
- Benefit Assessment/Care Management
- Partnership Plans
- Billing and Banking
- Client Website
- Reinsurance
- Outlook and Planning

Analysis

Staff summarized the responses to the twenty questions in the RFI. Many responses were common across the eight responding TPAs.¹

RFI Results

The RFI solicited ideas and responses in twenty areas of focus identified by CalPERS. The summary of the RFI responses are detailed in Attachment 1.

LTC Solicitation and Competitive Negotiation Approach

Staff is currently working with the Operations Support Services Division (OSSD) and the Legal Office on the solicitation approach utilizing competitive negotiation. This approach is consistent with Government Code Section 21663 and the State of California's Public Contract Code Section 6611.

A competitive negotiation process permits the consideration of price, technical experience, past performance, management or other factors in selecting the most cost-effective proposal. The process includes negotiations with the most qualified proposers during which performance, technical standards, or other criteria may be discussed in order to secure proposals most advantageous to CalPERS. Staff has determined that the competitive negotiation process is necessary in order to permit greater flexibility to consider:

- qualitative differences in proposers' experience and qualifications;
- the appropriateness of proposed technical and financial solutions; and,
- performance reliability.

The competitive negotiation process also allows for:

- greater interaction on an ongoing basis with potential vendors throughout the solicitation;
- flexibility and transparency of process for the Board;
- an ability to obtain more accurate information on best offers; and,
- a completed contract at the end of the solicitation.

¹ The eight responding TPAs were Capgemini, Envolve, Fuzion, Independent Living Systems Administrators, Life Care Assurances, Long Term Care Partners, Long Term Care Group, and Vaco

Possible Solicitation Structure

The proposers will be required to submit an offer, providing evidence of their ability to meet solicitation requirements including, but not limited to:

- **Qualifications Requirement** Proposers must demonstrate that they meet specified minimum qualifications.
- **Technical Requirements** Proposers must describe their services, capabilities, management, and staffing plans and agree to contract provisions desired by CalPERS. Within CalPERS desired contract provisions, there would be core, non-negotiable and negotiable provisions. For negotiable provisions, proposers will be provided the opportunity to offer alternative proposals in addition to offering additional services not contemplated by CalPERS.
- **Financial Requirements** Proposers must include estimated third-party administrative costs to perform the services for the five-year contract.

A full description of the structured approach is found in Attachment 2.

Solicitation Process

The anticipated release date of the solicitation is mid-June 2016. In response to the solicitation, proposers will be required to agree to specific security agreements and certify qualifications in order to receive CalPERS de-identified long-term care data. Initial solicitation offers will be due by November 14, 2016, and evaluations will be conducted between November 2016, and January 2017. Competitive negotiations will occur in January 2017, and it is anticipated that the top best and final offers will be presented to Board in April 2017. (Attachments 3 and 3a)

CalPERS staff is working with Mercer consultants to further refine the solicitation approach and to develop the solicitation evaluation tools.

Budget and Fiscal Impacts

OSSD reported in the April 2016 Perspective Report that the budgetary and fiscal impacts related to the five-year contract agreement will likely result in an increase of the administrative services fees beginning January 1, 2018, through December 31, 2022.

Benefits and Risks

The benefits of conducting this solicitation outside the usual Request for Proposal (RFP) process are the following:

- may receive more proposals since it is not subject to RFP requirements;
- gives CalPERS the opportunity to compare pricing, and based on this information, engage in competitive negotiations;
- a completed contract at the end of the solicitation process; and,
- an opportunity to negotiate for increased transparency of LTC program administration.

The risks of conducting this solicitation outside the usual RFP proposal are:

- perception that it is not a competitive process and is being conducted in secret;
- may yield less proposals than desired; and,
- the end result may not be different than if the solicitation had gone through the usual RFP process.

Attachments

Attachment 1 – LTC RFI Responses Summary
Attachment 2 – LTC Solicitation Strategy Outline
Attachment 3 – LTC Solicitation Process Outline
Attachment 3a – LTC Solicitation Timeline

Kathy Donneson, Chief

Health Plan Administration Division

Doug P. McKeever

Deputy Executive Officer
Benefit Programs Policy and Planning