



Pension and Health Benefits Committee Agenda Item 7

June 20, 2017

Item Name: Long-Term Care Contract Award

Program: CalPERS Long-Term Care Program

Item Type: Action

Recommendation

The California Public Employees' Retirement System (CalPERS) team members recommend that the Pension & Health Benefits Committee (PHBC), consider the cumulative results for all bidders that participated in Solicitation No. 2016-8180, and from such results select the bidder whose submission response best demonstrates the ability to offer Long-Term Care (LTC) third-party administrative services in terms of customer service, pricing, and ability to fulfill contractual terms and conditions for calendar years 2018 to 2022.

Executive Summary

This agenda item provides information to the PHBC regarding the Solicitation No. 2016-8180 LTC third-party administrator (LTC Administrator) Solicitation evaluation results. CalPERS solicited proposals for a 5-year agreement beginning January 1, 2018 and ending December 31, 2022. The Solicitation process resulted in two finalists: Capgemini (CHCS Services) and Long-Term Care Group (LTCG). The evaluation process determined each bidder's ability to perform a full-range of LTC administration services to meet CalPERS needs.

Strategic Plan

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

Background

In an effort to balance LTC quality services and affordability for our participants, CalPERS sought proposals from firms that have demonstrable experience offering a full range of long-term care administrative services, which include claims adjudication, care management, underwriting, benefit design, marketing, and a proven technology platform. These services will enhance end-to-end customer service, participant and stakeholder engagement, and provide additional innovation strategies to support participants' needs. The expected outcomes for the Solicitation included identification of top LTC Administrator proposals and bidders' agreement to CalPERS' contractual and financial terms for the CalPERS Board of Administration's consideration.

Analysis

In June 2016, the PHBC approved the LTC Solicitation Strategy (Attachment 1), which is consistent with Government Code Section 21663. The LTC Administrator Solicitation was

released in a two-phase approach. Released on June 28, 2016, Phase I certified bidders' minimum qualifications to participate in Phase II. Released on September 19, 2016, Phase II consisted of the following: confidential discussions held separately with each bidder in October 2016; submission of written proposals in January 2017; evaluation of the submissions from January to February 2017; on-site visits, submission clarifications, and reference checks from January through May 2017; and competitive negotiations from February through March 2017.

CalPERS received two written proposals by the due date of January 4, 2017. Consensus scoring was used through each step of the solicitation process, and team leads updated the scores as information from each bidder was reviewed. Based on the written proposals, five teams of CalPERS team members evaluated each bidder's ability to meet the Solicitation's prescribed requirements, as well as, their proposed fees for administering the program. Each evaluator judged each response objectively, scored solely on the merit of the information presented using the 1–5 ratings of inadequate, barely adequate, adequate, more than adequate, and excellent or outstanding. Team consensus scores were then aggregated, scaled, and translated into 1–5 star ratings for each section of the five categories.

To further evaluate the bidders' capabilities, CalPERS engaged an external LTC consultant, Optimity Advisors (Optimity), to independently assess each bidder's information technology to support the program. Although there are some differences between the bidders' information technologies, Optimity concluded that both bidders currently have the information technology necessary to administer the program. One key difference between the two bidders is that LTCG presented a road map to enhance their current administration system over the next three years.

Both bidders earned an overall average rate of 4 stars. Attachment 2 provides a summary comparison of both bidders' evaluation results across the Firm's Capabilities, Management, Work, Staffing and Financial Plans. At the conclusion of the competitive negotiations with each bidder, CalPERS memorialized the negotiated contract in a letter of agreement that includes pricing, services to be provided, and the implementation plan. The LTC Solicitation process has provided CalPERS the ability to begin immediate implementation upon award of the contract regardless of which bidder is chosen.

Optimity also analyzed the implementation plan that CHCS Services proposed and concurred with CHCS Services on the implementation plan and timeline. If CHCS Services were awarded the contract, the go-live date will be June 2018. If LTCG were awarded the contract, the transition to a new administration system will be done in a phased-in approach over the course of three years.

Budget and Fiscal Impacts

The five-year contract agreement may result in a change in administrative services fees beginning January 1, 2018, through December 31, 2022, based on the number of participants in the program.

Benefits and Risks

This Solicitation allowed CalPERS the opportunity for greater flexibility to consider qualitative differences in bidder's experience and qualifications in administering LTC services; performance reliability; conduct comparative pricing through competitive negotiations; and negotiate a contract prior to any award of contract. Risks include less than desirable pricing, innovations, and contractual terms.



Attachments

Attachment 1: Solicitation Strategy

Attachment 2: Summary of Evaluated Proposals

Attachment 3: Long-Term Care Solicitation Overview

Kathy Donneson, Chief

Health Plan Administration Division

Liana Bailey-Crimmins

Chief Health Director

Health Policy Benefits Branch