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to Award is Issued**

Memo

Date: March 21, 2011
To: Bill Kox and Arlene Larson
From: Pat Pechacek, Peter Roverud, Julie Maendel, and Kuanhui Lee
Subject: Administrative Services Only Contract RFP – Deloitte Consulting Proposal Evaluation

The State of Wisconsin Department of Employee Trust Funds (the Department), on behalf of the Group Insurance Board, prepared a comprehensive Request for Proposal (RFP) document related to Administrative Services for the State of Wisconsin Group Health Insurance Program. The Group Insurance Board evaluation committee reviewed and scored the majority of the proposal responses and Deloitte Consulting was responsible for scoring sections related to the network accessibility and disruption assessment, claim reimbursement rate evaluation and also asked to provide comments on components of the administrative fees cost proposal. Due to the confidential nature of some components provided within the RFP responses, we have provided a detailed copy of our review and conclusions for the strict use of the Department and another version with confidential information eliminated that can be shared with a broader audience.

The deadline for submission of proposals was 3:00 p.m. Friday February 11, 2011. The Group Insurance Board evaluation committee determined the vendors that passed the mandatory requirements of the RFP and three vendor responses were released to Deloitte Consulting for review. The three vendors are listed below:

Wisconsin Physicians Service Insurance Corporation (WPS)	Security Administrative Services (SAS)	UMR, Inc. (UMR)
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It is our understanding the information summarized in this memo will provide information which, when combined with the evaluation committee analysis, will aid the Group Insurance Board in selecting a vendor that is most advantageous to the Group Insurance Board and provides the best value and benefit for their members.

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Executive Summary

The Department requested Deloitte Consulting utilize the following scoring scheme when evaluating prospective vendor’s responses:

Score	Definition
0	No value; the bidder has omitted this aspect of an area or the response is not relevant to the question
1	Poor; the bidder has no direct capability or has not established the capability to perform it
2	Inadequate; the bidder may have the capability but has only marginally described its approach
3	Average; the bidder has an adequate capability to meet this criterion or has described its approach only in sufficient detail to be considered “responsive”
4	Good; the bidder has provided additional information to establish performance acceptability
5	Excellent; the bidder has provided an innovative, detailed, cost-saving approach or established, by references and presentation of material, far superior capability in this area

Our review of the network accessibility and disruption responses and claim reimbursement rate modeling illustrate that the incumbent vendor WPS has earned a high score in both sections with UMR next highest and SAS the lowest score. Below are the scores based on our review:

	WPS	SAS	UMR
Network Accessibility and Disruption	4	3	3
Claim Reimbursement Rate Review	4	1	4

An overview of the process and some details of the evaluation are provided in the body of this report.

Evaluation of Network Accessibility and Disruption

Deloitte Consulting assisted with the evaluation of responses to Section C Administrative Requirements, Part 5.0 Network & Other Financial Savings, Question 5.2, b., iv - viii. These questions are discussed in the sections below.

The networks proposed by three vendors are:

- WPS - contracts directly with most providers in Wisconsin. The statewide network is supplemented with leased networks for chiropractic and transplant services. Outside of Wisconsin, WPS utilizes leased networks such as PHCS, SelectCare, Beech, etc. to develop a national network.
- SAS - contracts directly with providers in 32 counties in Wisconsin. For the rest of Wisconsin and outside of Wisconsin, SAS utilizes leased networks from MultiPlan. The MultiPlan

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network fully owns its HealthEOS and HealthEOS Plus networks. In addition, MultiPlan contracts directly with PHCS network providers.

- UMR - utilizes the Choice Plus network as its primary network. It is supplemented with leased networks, Alliance for southern WI and Medica/Labor Care for western Wisconsin.

GeoAccess Network Accessibility

The RFP requested vendors complete network access comparison information using GeoAccess based on specified requirements and parameters. In order for vendors to complete the request for GeoAccess network accessibility reports, the Department provided all vendors a member census by zip code. The RFP requested this GeoAccess analysis be provided separately for vendors' Wisconsin statewide PPP, HMO and other network for those members noted in the file. The match should include all valid zip codes in which participants reside; including those not in the vendors' service area. This analysis is intended to determine the availability of network physicians (both primary care and specialist) and hospitals to the employee population. This analysis helps the Department determine the level of network coverage available.

All vendors except UMR Alliance network used GeoAccess to complete the exercise. UMR Alliance network provided a summary sheet in Microsoft Excel format that contains the accessibility rates for each parameter. The population that each vendor tested on GeoAccess was different. Among three vendors, we believe UMR and WPS provided their GeoAccess analysis based on State Active members, and SAS provided their GeoAccess analysis based on all members.

Based on our review we believe all three vendors have demonstrated strong member coverage and the incumbent vendor WPS is slightly stronger in two of the three categories.

Provider Disruption

The RFP requested vendors to complete a key network provider assessment for select providers chosen by the Department. These providers were comprised of the most utilized providers and providers of interest to the Department and included 10 professional providers and 15 hospital facilities. The key network provider assessment is important for the Department to understand the level of disruption to their members based on the various vendor networks. For example, a network may provide sufficient geographic access to providers but not include certain key, high valued or highly utilized providers. Therefore, provider disruption is important from an employer relations standpoint, as employees may be forced to change providers. Other components related to provider disruption that was evaluated included the reliance on leased network and provider turnover rates.

Key network provider assessment

Based upon the data reported, UMR demonstrated the strongest comprehensive key provider coverage for both professional and hospital facilities through their contracted networks. WPS does not contract with the Aurora system and St Mary's Hospital in Madison. SAS provided the key provider assessment analysis for the HealthEOS network only and did not provide information to demonstrate adequate provider access is available to compensate the deficiency in this assessment.

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Percentage of Leased Network

The RFP requested vendors report any leased networks in and out of Wisconsin, the percentage of the leased providers compared to total, the owner of the network, and the covered area. All three vendors utilized leased network in and out of Wisconsin. However, all three vendors failed to provide the percentage of the leased providers compared to total. Below is a summary of the leased network and covered area by vendor review:

Vendor	Wisconsin	Out of Wisconsin
WPS	<ul style="list-style-type: none"> - Contracts directly with most providers in Wisconsin. - Leased network: <ul style="list-style-type: none"> o Chirocare for chiropractic o OptumHealth’s COE for transplant - Did not specify covered area of leased network 	<ul style="list-style-type: none"> - Variety of leased networks: PHCS, Medica/SelectCare, etc. - Leased network: <ul style="list-style-type: none"> o Chirocare for chiropractic o OptumHealth’s COE for transplant
SAS	<ul style="list-style-type: none"> - Contracts directly with providers in 32 counties - Remaining counties utilize leased network - Leased network: MultiPlan 	<ul style="list-style-type: none"> - Leased network: MultiPlan - MultiPlan utilizes leased networks in AZ, NM, and NV.
UMR	<ul style="list-style-type: none"> - Primarily utilizes Choice Plus network - Leased networks <ul style="list-style-type: none"> o Alliance covers 12 counties in southern Wisconsin o Medica/Labor Care covers western Wisconsin 	<ul style="list-style-type: none"> - Utilizes Options PPO and Choice Plus networks

In Wisconsin, given the results above, WPS rarely relies on leased networks, except chiropractic and transplant services. For UMR and SAS, we do not have enough information to distinguish reliance on the leased network level. Overall, WPS demonstrated the strength in terms of having most providers contracted via direct contract as opposed to leased networks.

Provider Turnover Rates – Voluntary and Involuntary

The RFP requested vendors report the most recent annual network turnover rates for providers, both voluntary and involuntary. All three vendors reported turnover rates and the results summarized in the table below:

Type of Turnover	WPS	SAS	UMR
Voluntary	Reported 1.00% as total	4.81%	1.05%
Involuntary		0.04%	0.06%

Given the results above, SAS has the highest turnover; and WPS reported the lowest turnover result among three in this comparison.

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Network Accessibility and Disruption Summary

Overall, through the evaluation of the network accessibility and disruption analysis summarized above, WPS demonstrated the best network accessibility through GeoAccess analysis, the least leased network reliance and the lowest provider turnover rate. However, the absence of the Aurora system in the network weakens its strength in the key network provider assessment. Overall, we believe a score of 4 appropriately reflects the strength it was able to demonstrate relative to the other vendors.

Between UMR and SAS, SAS reported a better network accessibility through GeoAccess in physicians (Primary Care and Specialist); on the other hand, UMR reported better hospital assess. Since UMR reported ChoicePlus and Alliance network for key network provider assessment, UMR demonstrated the strength of having all key providers requested in their networks. SAS reported the HealthEOS network, which is lacking of several key providers in provider groups and hospital; even though we believe some providers are contracted with SAS via direct contract, SAS did not successful demonstrate this access in their response. Lastly, as to provider turnover rate, UMR reported a more favorable rate than SAS. Considering the evaluation comparisons above, we believe a score of 3 for both UMR and SAS appropriately reflects their demonstrated strength.

	WPS	SAS	UMR
Network Accessibility and Disruption	4	3	3

Evaluation of Claim Reimbursement Rate Review

Deloitte Consulting completed the evaluation of responses to Section C Administrative Requirements, Part 5.0 Network & Other Financial Savings, Question 5.3 Physician and Facility Repricing Exercise. The RFP required vendors provide average reimbursement levels for a sample of physician reimbursement codes (CPT-4 procedure codes), inpatient facility reimbursement codes (DRG codes) and overall discount from charges for various outpatient facilities. Specific providers requested were comprised of the most utilized providers and providers of interest to the Department and included 10 professional providers and 15 hospital facilities. In addition to the requested providers, vendors were required to provide reimbursement level for their overall book of business. As this data is self-reported and not audited it can only be relied on to provide a directional answer to the level of claim reimbursement. This is an acceptable methodology of claim reimbursement rate review in RFPs such as this and will assist the Department in understanding the strength of provider contracts at a high level with the various vendors.

The approach applied for the claim reimbursement rate review included a modeling exercise which calculated the average reimbursement rates for physician and inpatient facility for the sample of reimbursement codes and overall average discount off charges by outpatient facility for each vendor. The weights applied to each reimbursement code were derived from a large national claims database with geographic area specified as Wisconsin.

This process began with a comparison of the completeness of each vendor’s reimbursement rates and outpatient discount off charges that are associated with the selected providers. Although requested, the data was not provided completely by all vendors, making it difficult to compare. Through our

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preliminary data evaluation we believe UMR and WPS provided the most comparable information for the claim reimbursement rate review exercise. Clarifying information was requested from UMR in order to appropriately utilize the data provided.

The incomplete data provided by two of three vendors made the claim rate reimbursement review exercise challenging. Utilizing the information submitted by each of the vendors for the claims rate reimbursement review exercise we arrived at the following high level observations:

- Physician – Overall, UMR illustrated a slightly lower average reimbursement rate over the incumbent WPS for the three providers for which both UMR and WPS provided reimbursement rate. Also evaluated were the top 5 CPT codes with the highest utilization within each of the following physician categories: medical, surgical, radiology and laboratory/pathology services. WPS illustrated a lower average reimbursement rate in the medical category however UMR illustrated lower average reimbursement in the other categories. SAS did not provide specific provider reimbursement other than their Standard Wisconsin fee schedule and therefore was not included in the exercise.
- Inpatient facilities – Overall, UMR illustrated a lower average reimbursement rate over the incumbent WPS. Also evaluated were the top 10 DRG codes with the highest utilization. WPS illustrated a lower average reimbursement rate in four of the top 10 DRG codes. SAS did not provide specific inpatient facility reimbursement stating hospital reimbursement is on a discount off charges basis and therefore was not included in the evaluation.
- Outpatient facilities – WPS demonstrated a higher discount off charges over UMR and a higher discount over SAS.

As this data is self-reported and not audited it should only be relied upon to provide a directional answer to the level of claim reimbursement. This is an acceptable methodology of claim reimbursement rate review in RFPs such as this and will assist the Department in understanding the strength of provider contracts at a high level with the various vendors.

Although UMR holds an advantage in the overall claim rate reimbursement exercise, they only provided a discount off charges for key physicians. A discount off charges offers less cost and trend controls and should be viewed less favorably from a contracting perspective.

Considering the quality and comprehensiveness of claim reimbursement data, we are providing the following scoring guideline for the Department to consider, with WPS and UMR scoring equally high with a score of 4. Since SAS reported incomplete data for physician and inpatient facility, we assigned them a score of 1.

	WPS	SAS	UMR
Claim Reimbursement Rate Review	4	1	4

Administrative Fees Cost Proposal

The RFP required vendors complete Section D, Cost Proposal which requests a schedule of applicable administrative fees for three contract years (calendar year 2012 through 2014). The basis of payment for services provided as the administrator is required to be a flat per contract per month (PCPM)

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administrative fee. A request for a best and final cost proposal was sent to WPS and UMR on Wednesday March 16th and responses were received on Friday March 18th. Deloitte Consulting was not asked to provide scores related to the administrative fees cost proposal but rather provide observations.

Deloitte Consulting was asked to provide commentary related to certain components of the vendor responses to Section D Cost Proposal, as indicated in the sections below. Deloitte Consulting used information contained in the WPS and UMR responses from Friday March 18th to support our observations. Our comments focused on the fees associated with the contract period associated with calendar year 2012.

Local Annuitant Health Program

The RFP requested vendors provide proposed insured monthly premium rates for the Local Annuitant Health Program in Section D Cost Proposal, Question D. WPS provided rates in the requested format, premium on a per contract per month basis for both non-Medicare and Medicare eligible participants. When compared to the calendar year 2010 Local Annuitant Health Program rates they reflect a 0.8% rate increase.

UMR provided a per member per month (PMPM) rate for the Medicare eligible program participants which would be offered through Unitedhealthcare Retiree Services. While UMR did not provide rates for the non-Medicare eligible program participants within the requested Question D, we believe they inadvertently provided the response to this request in Question E.

The Medicare eligible rates proposed by WPS and UMR are not on the same basis and therefore not directly comparable. However using the current program contract and member counts we are able to convert the WPS contract rates to an approximate PMPM rate.

The submitted information suggests the UMR rates are higher than the WPS rates by approximately 5.6% for the Local Annuitant Health Program however a few assumptions were made to reach that conclusion. Deloitte Consulting recommends confirming the UMR program rates illustrated above are correct given they were not included in the expected question of the cost proposal.

Stop Loss Insurance Rates

The RFP requested vendors provide a quote for aggregate and/or specific stop loss insurance for non-Medicare local government participants in Section D Cost Proposal, Question C. WPS provided stop loss rates that would equate to a 7.6% rate increase over the current 2010 stop loss rates for specific and aggregate stop loss combined. UMR provided an annual premium for stop loss that we believe was developed based on the entire program, not just the non-Medicare local government participants as requested. Since UMR did not provide monthly premium rates we are unable to compare their stop loss proposal to the incumbent WPS.

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Local Prospective Group Underwriting Fees

The RFP requested vendors provide their proposed local prospective group underwriting fees per underwriting occurrence in Section D Cost Proposal, Question F. These fees could vary by group size. Both vendors proposed the same fees for calendar year 2012.

Summary

Our review of the network accessibility and disruption responses and claim reimbursement rate review modeling illustrate that the incumbent vendor WPS has earned a high score in both sections with UMR next highest and SAS the lowest score. Below are the scores based on our review:

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Additionally, there are various components within the cost proposal that make the overall administrative fees difficult to compare, such as UMR access fees for non-network providers and proposed premiums for the Local Annuitant Health Plan.

It is our understanding the information summarized in this memo will provide information which, when combined with the evaluation committee analysis, will aid the Group Insurance Board in selecting a vendor that is most advantageous to the Group Insurance Board and provides the best value and benefit for their members. Deloitte Consulting has used the information provided through the RFP process to summarize the information contained in this memo and provide scoring guidelines when requested.

cc: Tim Gustafson, Deloitte Consulting