



Contract By Authorized Board

Commodity or Service: Consulting Actuary to the State of Wisconsin Employee Trust Funds Board for the Health Insurance Programs
Offered by the State of Wisconsin Group Insurance Board

Request for Bid/Proposal No: ETG0012
Amendment 4, dated October 25, 2012

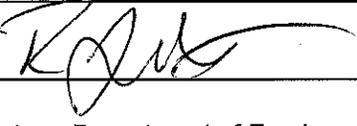
Authorized Board: Employee Trust Funds Board

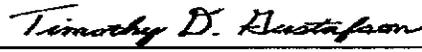
Contract Period: 10/01/2012 through 09/30/2014

1. This contract is entered into by and between the State of Wisconsin, Department of Employee Trust Funds (Department), the State of Wisconsin Employee Trust Funds Board (Board), and the contractor whose name, address, and principal officer appears on page 2. The Department is the sole point of contract for Board contracting;
2. Whereby the Department of Employee Trust Funds agrees to direct the purchase and the contractor agrees to supply the contract requirements cited above in accordance with the terms and conditions of the request for bid cited above, and in accordance with the contractor's bid submitted on this request for bid which request for bid is hereby made a part of this contract;
3. In connection with the performance of work under this contract, the contractor agrees not to discriminate against any employees or applicant for employment because of age, race, religion, color, handicap, sex, physical condition, developmental disability as defined in s.51.01(5), Wis. Stats., sexual orientation as defined in s.111.32(13m), Wis. Stats., or national origin. This provision shall include, but not be limited to, the following: employment, upgrading, demotion or transfer; recruitment or recruitment advertising; layoff or termination; rates of pay or other forms of compensation; and selection for training, including apprenticeship. Except with respect to sexual orientation, the contractor further agrees to take affirmative action to ensure equal employment opportunities. The contractor agrees to post in conspicuous places, available for employees and applicants for employment, notices to be provided by the contracting officer setting forth the provisions of the nondiscrimination clause.
4. Contracts estimated to be over twenty-five thousand dollars (\$25,000) require the submission of a written affirmative action plan. Contractors with an annual work force of less than twenty-five (25) employees are exempted from this requirement.

Within fifteen (15) working days after the award of the contract, the plan shall be submitted for approval to the Department. Technical assistance regarding this clause is provided by the Purchasing Agent, Department of Employee Trust Funds, P.O. Box 7931, Madison, WI 53707-7931, (608) 266-8989, mark.blank@etf.state.wi.us.
5. For purposes of administering the contract, the Order of Precedence is the First Amendment to the proposal dated August 13, 2007 including exhibit 1, Business Associate Addendum; the official purchase order; RFP ETG0012 dated April 18, 2007 (including all appendices and amendments); the Standard terms and conditions; and Contractor's response to the RFP
6. Extend contract for two years, 10/01/2010 thru 09/30/2012 with the option for one additional two-year period.
7. Extend contract for two years, 10/01/2012 through 09/30/2014.
8. The Amendment dated October 25, 2012, titled Actuarial Cost Containment Analysis is created as part of this contract to provide actuarial support in analyzing certain cost containment options and their effectiveness and the applicability of each to the Department's medical design and populations. Purchase order reference number ETC000095. Total cost for the associated work with this amendment is not to exceed \$127,500 without prior authorization. All other provisions of this contract remain in effect.

Contract Number & Service: ETG0012 Consulting Actuary to the State of Wisconsin Employee Trust Funds Board for the Health Insurance Programs Offered by the State of Wisconsin Group Insurance Board

State of Wisconsin Department of Employee Trust Funds	
By Authorized Board (Name)	Employee Trust Funds Board
By (Name)	Robert J. Marchant
Signature	
Title	Deputy Secretary, Department of Employee Trust Funds
Phone	(608) 266-9854
Date (MM/DD/CCYY)	December 21, 2012

To be Completed by Contractor	
Legal Company Name	Deloitte Consulting, LLP
Trade Name	Deloitte Consulting
Taxpayer Identification Number	61454513
Company Address (City, State, Zip)	Minneapolis, MN, 55402-1538
By (Name)	Timothy D. Gustafson
Signature	
Title	Principal
Phone	(312) 486-2265
Date (MM/DD/CCYY)	December 20, 2012



October 25, 2012

Ms. Lisa Ellinger
Wisconsin Department of Employee Trust Funds
801 W. Badger Road
Madison, WI 53707

Deloitte Consulting LLP
Suite 2800
50 South Sixth Street
Minneapolis, MN 55402-1538
USA
Tel: 612.397.4000
Fax: 612.397.4450

Re: Amendment 4 to ETF Contract ETG0012 – Actuarial Cost Containment Analysis

This Amendment (“Agreement”) to the ETF Contract ETG0012 entered into by and between the Wisconsin Department of Employee Trust Funds (“ETF”) on behalf of the State of Wisconsin Employee Trust Funds Board (“Board”) and Deloitte Consulting LLP (“Deloitte Consulting”), and the extension of this contract effective October 1, 2010, (“Contract”) is dated and effective as of January 7, 2011.

A. Recitals

WHEREAS, ETF would like Deloitte to provide actuarial support in analyzing certain cost containment options and comment on their effectiveness and the applicability of each to ETF’s medical design and populations.

NOW, THEREFORE, ETF and Deloitte Consulting agree as follows:

1. Deloitte will review, from available information sources and surveys, state employee health plan cost containment models currently in use. Key states to consider in establishing the cost containment models to assess (though not limited to these):
 - AL: Biometric based wellness initiative incorporating premium differentials
 - AR: Dual-choice approach between “traditional plans” and HDHP/HSA plans.
 - GA: Wellness program health assessment and biometric screening for employee and spouse; tobacco surcharges.
 - IN: Dual-choice approach between “traditional plans” and HDHP/HSA plans.
 - ME: Tiered network hospital provider system.
 - MN: Tiered network approach and self-insured EPO plan options.
 - OR: Value-based insurance design.
 - WI: State Plans: Vendor management for fully-insured plans.
Manitowoc County: Single option HDHP/HSA plan/“SPIN” wellness incentives
2. Types of medical plan cost containment approaches to include are:
 - WI ETF’s current model
 - HDHP+HRA or HDHP+HSA:
 - As additional option to existing plans
 - As complete replacement of existing plans

Deloitte has already provided a preliminary draft white paper on the pros/cons of HDHP+HRAs and HDHP+HSAs, and will draw upon that (with appropriate updates) for discussion of those cost containment approaches.

- Wellness initiatives
 - Employee contribution mechanisms
 - Fully-insured vs. self-insured financial arrangements
 - Enrollment and eligibility control issues (e.g., spousal surcharges)
 - Federal Employee Health Program designs
 - Tiered network plans
 - Provider incentives to make more appropriate care decisions (e.g., ACO-like approach)
 - Direct provider contracting
 - Centers of excellence (e.g., Cleveland Clinic)
 - Migration to state health exchanges (not yet in place, but an anticipated strategy as of 2014)
 - Private sector approaches to extent not reflected above
3. After approaches have been identified, the approaches deemed as most viable and agreed upon will be modeled to illustrate the potential financial impact of each.
 4. Identification of potential statutory changes that may be required.
 5. Deloitte will participate in weekly meetings with ETF to discuss progress, status, and direction. Deloitte will provide findings and updates on a bi-weekly basis. Deloitte will also meet with appropriate parties to deliver/discuss the final report. If desired by ETF, Deloitte can present and discuss the final report to the Group Insurance Board when appropriate.
 6. Final report to Wisconsin providing details for selected cost containment approaches:
 - Detailed description of the cost containment approach, the states where it has been employed, how long it has been in place.
 - Impact on collective health status of employee population, if any.
 - Financial impact to State of Wisconsin if approach implemented (5-year horizon).
 - Financial impact on employees (analyses demonstrating cost impact under a variety of health status and/or claims utilization scenarios).
 - Implementation and administration concerns (e.g., payroll coordination issues).
 - Impact on provider delivery system.
 - State of Wisconsin statutory concerns, if any.
 - Communication issues for employees.
 - Comparison of program's cost effectiveness (Possibly ROI analyses).
 - Actuarial estimation approach, methodology, assumptions, and caveats.
 - Impact on retirees.

Additional information included in the final report:

- Long-term historic health care trend.

7. ETF has requested a report by December 1, 2012 (in order to provide sufficient time for budget and legislative issues).

B. Professional Fees

Professional fees for the actuarial services outlined above will be based on the actual amount of hours for the services performed, as agreed to by both ETF and Deloitte Consulting, and the hourly rates provided in the ETF Contract ETG0012. The estimated hours and hourly rates are included in Exhibit 1 of this Amendment. Our professional fees are based on the actual time spent on the engagement and the experience level of the members of the team. As the specific details of the engagement and scope are narrowed, it will be possible to refine our fee estimates for each portion.

Based on the potential scope of services defined above, we estimate our hours for the cost containment analysis will be approximately:

Task	Estimated Hours															
	PPD		Director		Sr Mgr/Sp Leader		Mgr/Sp Mgr		Senior Consultant		Consultant		Analyst		Total	
	Low	High	Low	High	Low	High	Low	High	Low	High	Low	High	Low	High	Low	High
Weekly /Bi-Weekly Conference Calls	6	10	6	10	6	10	0	0	6	10	0	0	6	10	30	50
Collection of Survey Data on State Approaches	1	3	1	3	20	30	0	0	12	20	0	0	30	35	64	91
Construct Financial Model for WI BTF	2	6	2	6	12	20	0	0	20	30	0	0	35	45	71	107
Analysis of Desired Approaches/Scenarios	4	8	4	8	20	30	0	0	20	30	0	0	30	40	78	116
Analysis of Each Additional Approach/Scenario	1	3	1	3	6	10	0	0	6	10	0	0	12	15	26	41
Statutory Impact	1	3	1	3	6	10	0	0	6	10	0	0	6	10	20	36
Develop Report	1	3	1	3	12	20	0	0	6	10	0	0	6	10	26	46
Meeting to Deliver Final Report to ETF	1	2	1	2	1	3	0	0	1	3	0	0	1	3	5	13
Meeting to Deliver Final Report to GIB	1	2	1	2	1	3	0	0	1	3	0	0	1	3	5	13
Total Hours	18	40	18	40	84	136	0	0	78	126	0	0	127	171	325	513
Rate per Hour	\$397	\$397	\$358	\$358	\$317	\$317	\$267	\$267	\$229	\$229	\$172	\$172	\$148	\$148		
Total	\$7,146	\$15,880	\$6,444	\$14,320	\$26,628	\$43,112	\$0	\$0	\$17,862	\$28,854	\$0	\$0	\$18,796	\$25,308	\$76,876	\$127,474

Any out-of-pocket expenses (e.g., travel, telephone conferences, etc.) are billed separately at cost. Our standard practice is to bill monthly for all time charges and expenses incurred during the immediately preceding period. Payment is due upon receipt of the invoice.

Sincerely,

Timothy D. Gustafson

Tim Gustafson, Principal

Patrick A. Pechacek

Pat Pechacek, Director

Our Understanding:

- ETF would like Deloitte to tally (from available surveys) state employee health plan cost containment models and comment on their effectiveness and the applicability of each to ETF's medical design and populations.
- ETF will discuss the results of Deloitte's work with key Administration stakeholders.
- The final deliverable will model cost containment options that include the current ETF model (i.e., managed competition), a high deductible health plan (HDHP) option paired with an HSA or HRA, and a model that offers the current ETF plan alongside an HDHP offering.
- Key states to consider in establishing the cost containment models to assess (though not limited to these):
 - AK: HDHP
 - AL: Biometric-based wellness initiative incorporating premium differentials.
 - GA: Wellness, biometric screening, HRAs
 - IN: Dual-choice approach between "traditional plans" and HDHP/HSA plans.
 - ME: Tiered network hospital provider system.
 - MN: Tiered network approach and self-insured plan options.
 - OR: Value-based insurance design.
 - WI: Vendor management for fully-insured plans.
Manitowoc HDHP/HSA design
- Types of medical plan cost containment approaches to include are:
 - WI ETF's current model
 - HDHP+HRA or HDHP+HSA:
 - As additional option to existing plans
 - As complete replacement of existing plans

Deloitte has already provided a preliminary analysis on the pros/cons of HDHP+HRAs and HDHP+HSAs. For purposes of this project, Deloitte will refine and update that analysis subject to the current cost containment models used by states.

 - Wellness initiatives
 - Employee contribution mechanisms:
 - Point-of-service cost structure (copays, coinsurance, etc.)
 - Premium contribution structure

- Fully-insured vs. self-insured financial arrangements
- Enrollment and eligibility control issues (e.g., spousal surcharges)
- Federal Employee Health Program designs
- Tiered network plans
- Provider incentives to make more appropriate care decisions (e.g., ACO-like approach)
- Direct provider contracting
- Centers of excellence (e.g., Cleveland Clinic)
- Migration to state health exchanges (not yet in place, but an anticipated strategy as of 2014)
- Private sector approaches to extent not reflected above
- After approaches have been identified, the approaches deemed as most viable and agreed upon will be modeled to illustrate the potential financial impact of each.
- Identification of potential statutory changes that may be required.
- Deloitte will participate in weekly meetings with ETF to discuss progress, status, and direction. Deloitte will provide findings and updates on a bi-weekly basis. Deloitte will also meet with appropriate parties to deliver/discuss the final report. If desired by ETF, Deloitte can present and discuss the final report to the Group Insurance Board when appropriate.
- ETF has requested a report by December 1, 2012 (in order to provide sufficient time for budget and legislative issues).

Deliverables:

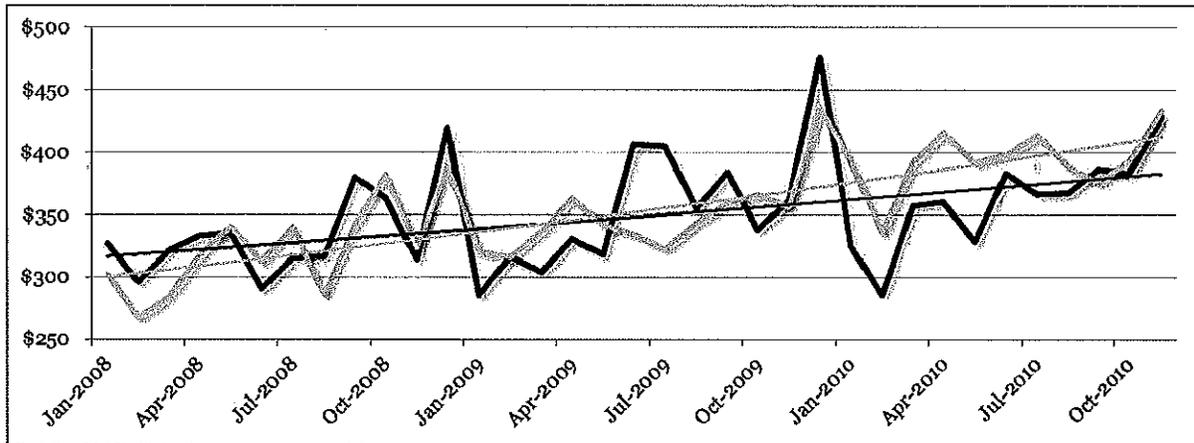
- Ongoing meetings on project status and refinement in this scope document
- Final report to Wisconsin providing details for selected cost containment approaches:
 - Detailed description of the cost containment approach, the states where it has been employed, how long it has been in place.
 - Impact on collective health status of employee population, if any.
 - Financial impact to State of Wisconsin if approach implemented (5-year horizon).
 - Financial impact on employees (analyses demonstrating cost impact under a variety of health status and/or claims utilization scenarios).
 - Implementation and administration concerns (e.g., payroll coordination issues).
 - Impact on provider delivery system.
 - State of Wisconsin statutory concerns, if any.
 - Communication issues for employees.

- Comparison of program’s cost effectiveness (Possibly ROI analyses).
- Actuarial estimation approach, methodology, assumptions, and caveats.
- Impact on retirees.

Additional information included in the final report:

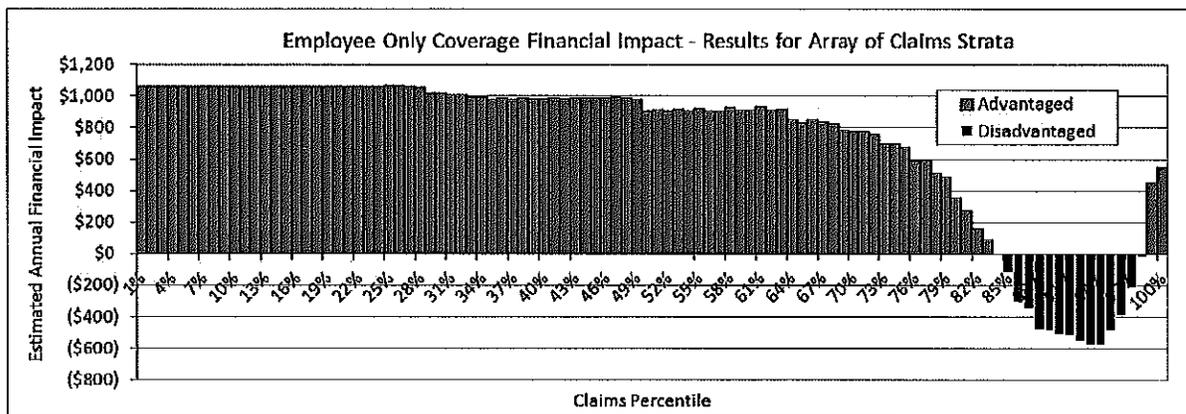
- Long-term historic health care trend.
- To facilitate report content, pertinent graphs, tables, and charts will be developed, examples of which are provided below (actual graphs and charts will be developed based on discussions with Wisconsin, and may include more/fewer/different charts than shown here).

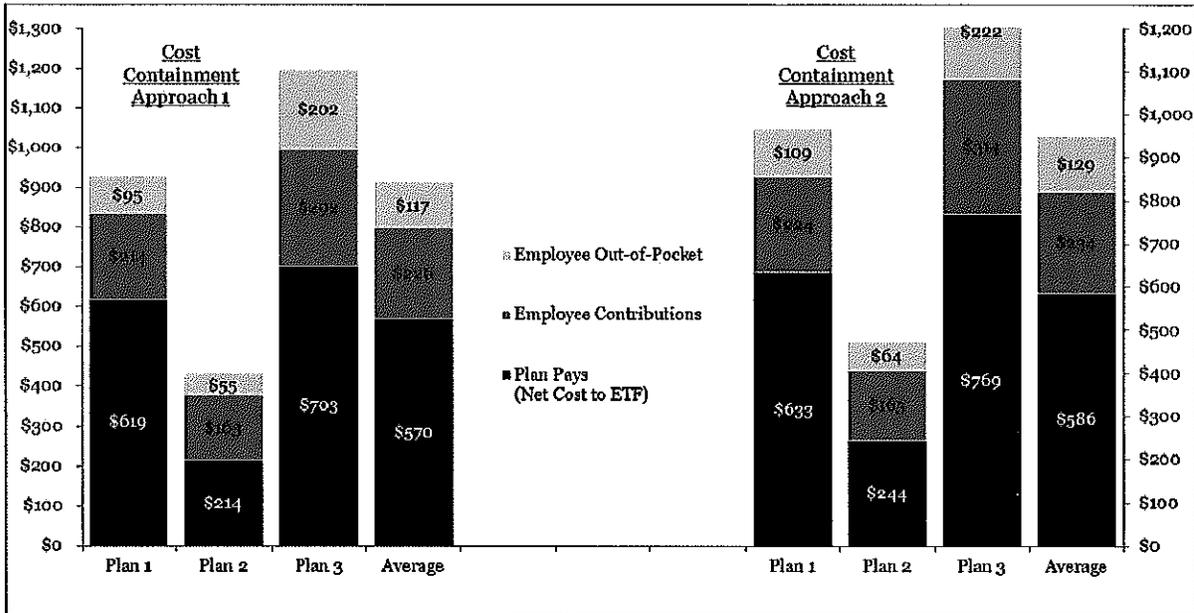
Trend Analysis: Control Group (Green) vs. Cost Containment Population (Blue)



To the extent analyses allow, estimate the difference in long-term claims trend under cost containment approach.

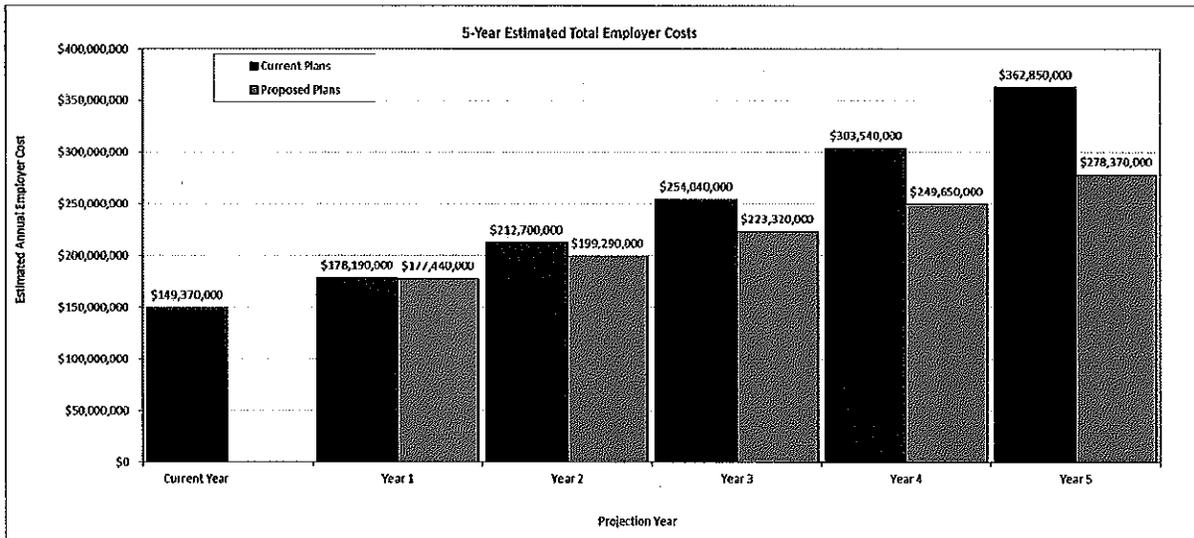
Financial Impact Based on Claims Utilization





Provides a comprehensive view of total employee costs (cost sharing from deductibles, copays, coinsurance, etc., AND monthly contributions) versus amount plan pays.

Employer Cost Difference: Multi-Year Estimate of Change in Employer Costs under Approach



Provides a comprehensive view of total employee costs (cost sharing from deductibles, copays, coinsurance, etc., AND monthly contributions) versus amount plan pays.