

Memorandum of Understanding Between
The Wisconsin Department of Employee Trust Funds
And
The Wisconsin Department of Administration

Rationale:

Chapter 40 of Wis. Stat., requires the Department of Employee Trust Funds (ETF) to provide consultation and advisory services on any technical, policy or administrative problems arising during the course of operations - by meetings, routine telephone calls and correspondence. The Department of Administration (DOA) is seeking consultation and advisory services from ETF through ETG0012, a contract between ETF and Deloitte LLP.

Purpose:

The purpose of this project is to gain information from marketplace vendors that will assist in the development of potential changes in program costs if all medical plans offered by ETF were self-insured. The DOA is seeking financial information regarding medical plans offered by ETF in which the state participates as an employer.

Deliverables:

ETF will provide to DOA information (hereinafter referred to as a Request for Information and Self-Insured Plan Cost Analysis) as outlined in the project scope "ETF Request for Information and Self-Insured Plan Cost Analysis," dated January 31, 2013.

If additional information is identified subsequent to the date of this agreement but before or during the course of the compilation of the Request for Information and Self-Insured Plan Cost Analysis, DOA requests that ETF provide information so the state fulfills its requirements and meets its goal of identifying potential changes to contain medical insurance costs for state employees.

Effective Dates:

The desired completion date for receipt of this information is no later than April 15, 2013.

Payment:

Deloitte LLP will periodically bill for services rendered in producing the deliverables described above. ETF will invoice DOA for the cost of those services for a total cost not to exceed \$225,000. If, during the process of acquiring and compiling these deliverables, ETF or DOA become aware that the cost may exceed this amount, each will contact the other and obtain the other's written consent before proceeding to incur additional costs.

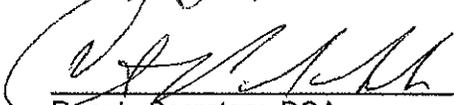
Upon receipt of periodic invoices and associated supporting documentation from ETF, DOA will pay ETF the invoiced amount. Invoices should be sent to James Langdon, Administrative Services Administrator, DOA, P.O. Box 7869, Madison, Wisconsin, 53707-7869.

Approval:



Deputy Secretary, ETF

02/14/2013
Date



Deputy Secretary, DOA

02-14-2013
Date



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 dated January 31, 2013

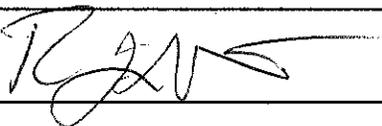
Authorized Board: Employee Trust Funds Board

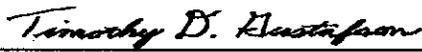
Contract Period: 10/01/2012 through 09/30/2014

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 \$122,800 without prior authorization. All other provisions of this contract remain in effect.
9. The Amendment dated January 31, 2013, titled Request for Information & Self-Insurance Plan Cost Analysis is created as part of this contract to provide support in analyzing competitive information from the health plans providing medical benefits to members covered under the Employee Trust Funds medical plans. Total cost for the associated work with this amendment is not to exceed \$225,000 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) | |

| 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) | January 31, 2013 |

Our Understanding:

The goal of this project is to gain additional information from marketplace vendors that will further assist in the development of potential program costs if all medical plans offered by the Department of Employee Trust Funds (ETF) were self-insured.

Request For Information

1. The State of Wisconsin would like Deloitte to assist in the development of a Request for Information (RFI) seeking competitive information from the health plans providing medical benefits to those members currently covered under the ETF medical plans as well as other potential third party administrators. This RFI from each vendor would include:

- a) Provider contracting terms (at the level of detail the vendor is able to disclose in an RFI setting) anticipated to be achieved for a “market basket” of procedures representing the largest DRG and/or procedure codes and facilities as provided by Deloitte.
- b) An indication of interest/ability to provide administrative services only (ASO) for the vendor’s current covered population, and a general assessment of the extent to which the vendor would expect discounts and/or administrative fees to change under such an arrangement.

This section would include an indication of the vendor’s willingness to continue to provide, on a self-insured basis, the current HMO design or, absent that, the managed network designs available on a self-insured basis (e.g., EPO (self-insured HMO), PPO, POS, etc.).

- c) An indication of interest/ability to provide ASO services for the covered members for the entire state (or any coverage exceptions within the state), a general assessment of the extent to which the vendor would expect discounts to change (e.g., vendor contracting through other vendors to gain network access), expected ASO fees under such an arrangement, and well as a broad indication of available service areas across the state (including 3-digit zip codes within which network access is anticipated to be available).

As in section c) above, the managed care network designs available on a self-insured basis.

The RFI request would not include detailed claims experience for all the vendors or any detailed census data indicating current zip codes. Similarly, this RFI would not request information related to any performance guarantee arrangements or costs that might be employed by the vendors.

This is not intended to be as comprehensive as a full Request For Proposal (RFP) approach similar to the one done for the Standard Plan. As a result it avoids the need to provide the vendors up-front with ETF system-wide claims and eligibility data detail. Under a full RFP approach, vendors would be providing additional information related to network disruption, performance guarantees, ASO fee quotes, available add-on services (and associated costs), potential site visits, and implementation information. Furthermore, Deloitte’s estimated hours for project completion would increase.

2. Deloitte will distribute the RFI, and manage and respond to vendor questions.

3. Deloitte will provide an RFI review and analysis of vendor interest and capabilities for providing ASO services to the state (on each of the current county-based access arrangement and the requested broader state-wide access potential arrangement).

This review will include a presentation to the Board of vendor interest/ability in order to assess any potential change in project scope at that time.

Actuarial Pricing of Self-Insured Arrangement

1. Deloitte will use the RFI responses provided, coupled with the prior year Addendum 1 data submissions, 2013 negotiated insured premium rates, and the available WHIO data warehouse information to develop actuarially estimated ranges of costs associated with the change to a self-insured environment for the state, potentially based on either one or a limited number of vendors to provide ASO and network management services to the state.

This development will be in the form of an actuarial pricing model for self-insurance that takes into consideration:

- a) Savings resulting from the avoidance of PPACA fees applicable to fully-insured health insurers;
- b) Savings resulting from the elimination of any state premium taxes;
- c) Savings resulting from consolidation of vendors;
- d) Savings due to elimination of fully-insured risk transfer charges;
- e) Potential cost impact of loss of current managed competition financial approach limiting overall cost trends;
- f) Potential loss of current financially advantageous self-insured ASO rate with WPS.
- g) A single TPA approach as well as a variety of mixes of vendors that could cover the state and provide consistent (though not necessarily identical) network access to those currently covered under the ETF medical plans;
- h) Identification of key pricing assumptions, associated volatility around those assumptions (assumption sensitivity), and final responsibility for the setting of those assumptions; and
- i) Broad actuarial estimates of large (catastrophic) claims exposure and volatility.

This pricing model development presupposes that ETF would be responsible for data extractions from the WHIO database in response to Deloitte requests.

2. Finally, Deloitte will work with the State of Wisconsin to facilitate the Board's decisions on self-insurance including potential strategies (e.g. single vendor or multiple vendors, geographic vendors), pursuit of a full RFP and more refined data collection.

Estimated Fees and Hours

Deloitte's estimates for completion of this effort are 3 to 4 full-time resources working over a 5 to 7 week timeframe, requiring between 800 and 900 hours to perform these services, with estimated fees for this effort of \$200,000 to \$225,000. Deloitte recognizes the need to compress the timing of the deliverables for this project, particularly if the decision to move forward with a RFP for self-insurance for the 2014 plan year is to be implemented.

State of Wisconsin Purchase Order

| | | |
|---|--|---|
| SEND INVOICE IN TRIPLICATE TO: ACCOUNTS PAYABLE - (608) 267-9223 ETFACCOUNTSPAYABLE@ETF.STATE.WI.US EMPLOYEE TRUST FUNDS P.O. BOX 7931 MADISON WI 53707-7931 | PO Code & Type 5-BLANKET | Purchase Order Number ETC500003 (Show above number on all shipments, correspondence and invoices) DATE: 2/1/2013 |
|---|--|---|

| Line | Fund | Agency | Org. | Sub Org. | Appr. | Appr. Unit | Actv. | Obj. | Sub Obj. | Rptg. Cat. | Proj. | Fiscal Year | Amount |
|------|------|--------|------|----------|-------|------------|-------|------|----------|------------|-------|-------------|--------------|
| 1 | 262 | 515 | 1720 | | 1 | 64 | 4 | 2740 | | 13 | | 2013 | \$225,000.00 |

Accounting Lines Total = \$225,000.00

| | |
|---|--|
| Vendor: DELOITTE CONSULTING PO BOX 7247-6447 PHILADELPHIA PA 19170-6447 | Ship to: EMPLOYEE TRUST FUNDS ACCOUNTS PAYABLE P.O. BOX 7931 MADISON WI 53707-7931 |
|---|--|

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|--------------------------------|-------------------------------------|------------------------|
| FEIN/SSN 061454513 F | Requisition No. BTC000220 | Shipping instructions: |
|--------------------------------|-------------------------------------|------------------------|

| | | | | | |
|--------------------|------------------------|------------------------------|-----------|---------------------------|------------------------|
| FOB DEST | Terms NET 30 | Delivery 6/30/2013 | Reference | Bid No. ETG0012 | Statewide Contract No. |
|--------------------|------------------------|------------------------------|-----------|---------------------------|------------------------|

| Quantity | Unit | Item Description | Commodity Code | Unit Price | Total |
|----------|------|---|----------------|------------|--------------|
| 1 | EA | CONSULTING ACTUARY: REQUEST FOR INFORMATION AND SELF-INSURED PLAN COST ANALYSIS, DATED JANUARY 31, 2013. MOU WITH DOA (COST WILL PASS THROUGH TO DOA VIA MOU DATED JANUARY 31, 2013 | 94612000000 | | \$225,000.00 |
| | | INVOICE MUST SHOW PURCHASE ORDER NUMBER. | | | |

TOTAL = \$225,000.00