

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.