



**STATE OF ARKANSAS**  
**OFFICE OF STATE PROCUREMENT**  
 1509 West 7th Street, Room 300  
 Little Rock, Arkansas 72201-4222

## ADDENDUM 2

TO: Vendors Addressed  
 FROM: Angela Allman Buyer  
 DATE: September 12, 2016  
 SUBJECT: SP-16-0208 Actuarial Services

The following change(s) to the above-referenced RFP have been made as designated below:

- Change of specification(s)
- Additional specification(s)
- Change of bid opening time and date
- Cancellation of bid
- Replacement Price Sheet

### ADDITIONAL SPECIFICATIONS

- Add the following to Section 1.12 Subcontractors:
  - C. The prime contractor **shall** assume all liability for any subcontractor performing services under the terms of this contract.
- Add the following to Section 2.3 Ongoing Service Requirements:
  - X. The vendor **shall** provide ongoing risk assessment and risk management services for each of the Plans. The vendor **shall** perform a risk assessment of the populations of each of the Plans monthly and provide recommendations to EBD regarding the management of any risk identified such as selection bias or other risk factors. The vendor may use risk models such as DxCG or similar cost groupings.
  - Y. When requested by EBD, the vendor **shall** provide review of stop loss and reinsurance arrangements.
- Add the following to Section 2.4 Reports, Item B:
  - 1. The vendor may seek clarification from EBD regarding the applicability of any mandate or development that has questionable relevance.
  - 2. The vendor may use claims data for the Plans, trends in the marketplace for similar self-funded groups, cost and/or benefit implications from approved changes to the Plans, such as changes in coverage or changes to the overall benefit structure for use in preparing the reports. The process for compiling the written reports has occasionally been used to form impact statements and actuarial notes.
- Add the following to Section 2.4 Reports:
  - L. Claims data required for compiling reports outlined in this RFP will be submitted to the vendor weekly via Secure File Transfer Protocol.
  - M. Financial data required for compiling reports outlined in this RFP will be submitted to the vendor the first week of each month via Secure File Transfer Protocol.

- Add the following to Section 4.6—Price Escalation:
  - D. EBD **shall not** participate in fee based arrangements.

### CHANGE OF SPECIFICATIONS

- Delete from Section 1.7—Response Documents: Items B.4. Replace with the following:
  - B.4 The vendor should note the Official Bid Price Sheet contains two (2) tabulation sheets.
- Delete from Section 1.13—Pricing: Items A, I, J. Replace with the following:
  - A. Vendor(s) **must** include all pricing on the Official Price Bid Sheet(s) only. Any cost not identified by the successful vendor but subsequently incurred in order to achieve successful operation **shall** be borne by the vendor. The *Official Bid Price Sheet* is provided as a separate excel file posted with this *Bid Solicitation and contains two (2) tabulation sheets*.
  - I. Table 1 of the Revised Official Bid Price Sheet **shall** be used for low cost determination.
  - J. Table 2 of the Revised Official Bid Price Sheet **shall not** be used for low cost determination.
- Delete from Section 1.13—Pricing: Item K (no replacement)
- Delete Section 2.1—Introduction and replace with the following:

Arkansas Department of Finance and Administration – Employee Benefits Division (EBD) is requesting proposals for Actuarial and Healthcare Consulting services in order to obtain expert knowledge and assistance in administering the health insurance programs for Arkansas State Employees (ASE) and Public School Employees (PSE) and their dependents and retirees (Plans). EBD currently covers approximately 147,000 employees, retirees, and dependents under its self-funded Health Plan program.

The ASE and PCE Health Insurance Benefits Plans (Plans) are two individual healthcare plans covering Arkansas State Employees and Arkansas Public School Employees, their dependents, and retirees. Each Plan consists of a three benefit options where employees may choose between the Basic, Classic, or Premium options based on their healthcare needs. Each option has varying deductibles, coinsurance, and coverage amounts. Additional information regarding the Plans can be found at <http://portal.arbenefits.org/Pages/default.aspx>.

The vendor **must** provide an Actuary specifically assigned to the EBD account to perform the actuarial and consulting services outlined in this RFP. EBD anticipates a large portion of the required services outlined in this solicitation may be accomplished off-site in the months of January through August. However, the vendor **must** be present in person for meetings and expert testimony as required in this RFP, or any other time when EBD determines that in person attendance is necessary in order to provide quality services to EBD or as required in this RFP. All travel and travel related expenses **shall** be borne by the vendor. Should there be circumstances where the assigned actuary is unavailable, the vendor **must** provide a Secondary Actuary to ensure the requirements of this RFP are met.

A breakdown for the total hours billed to EBD for the last three fiscal years are as follows:

- FY2014-1675.50
- FY2015-1041.00
- FY2016-1189.25

A breakdown percentage for hours billed to EBD for Actuarial and Consulting Services are as follows:

- FY2014-24%
- FY2015-92%
- FY2016-36%

Based on the last three fiscal years, EBD anticipates the amount of hours per year required to accomplish the services outlined in this solicitation to be as follows:

- Primary Actuary-356 hours
- Secondary Actuary-240 hours
- Support Staff (Jr. Actuaries, Administrative, Clerical, Etc.)-706 hours

These hours are estimates only and **shall** fluctuate depending on EBD's changing needs and/or arising circumstances throughout the contract award.

- Delete from Section 2.2—Qualification Requirements: Items B, C, D. Replace with the following:

B. Primary Actuary Qualifications

1. The Primary Actuary **must** be a fellow of the Society of Actuaries.
2. The Primary Actuary **must** have a minimum of ten (10) years' of experience as an actuary, including five (5) years' of actuarial experience with active and retiree health plans. This experience may include public or private sector plans.
3. The Primary Actuary **must** have a minimum of one (1) year of experience as an actuary with public plans having membership totals of at least 100,000.
4. The Primary Actuary **must** have a minimum of ten (10) years' of general health consulting experience dealing with public plans having membership totals of at least 100,000.
5. The Primary Actuary **must** have experience in testifying to state legislative and other administrative bodies regarding healthcare issues.

C. Secondary Actuary Qualifications

1. In such cases whereby the Primary Actuary is unavailable, the Secondary Actuary **shall** serve as the replacement for the Primary Actuary.
2. The Secondary Actuary **must** be a fellow of the Society of Actuaries or working toward that accomplishment.
3. The Secondary Actuary **must** have a minimum of five (5) years' of experience as an actuary including three (3) years' of actuarial experience with active and retiree health plans, preferably with government plans having membership totals of at least 50,000.
4. The Secondary Actuary **must** have a minimum of three (3) years of general health consulting experience, or experience with public plans management with membership totals of at least 50,000.

D. The vendor **must** be authorized to conduct business in the State of Arkansas, as required by this RFP.

- Delete from Section 2.2—Qualification Requirements: Items E and F (no replacement)

- Delete from Section 2.3—Ongoing Service Requirements: Items F, O, P, Q, R and S. Replace with the following:

- F. The vendor **shall** maintain detailed models, including a database of historical and current healthcare data, and **shall** update the models on a monthly basis. EBD **shall** provide detailed claims and eligibility information to be used in constructing the models. The models **must** project medical and prescription drug claims utilizing data based on the most recent twelve (12) months. EBD will provide the vendor with a monthly claims extract via Secure File Transfer Protocol to aid in updating the models.
- O. The vendor **shall** provide legal opinions based on proposed Plan changes such as covered services, exclusions, limitations, and eligibility and **shall** provide attorney services for any necessary legal opinions.

- P. Upon request, the vendor **shall** provide expert testimony concerning the Plans to the Arkansas Legislature. The Primary Actuary **shall** provide any presentations and/or testimony required, unless otherwise specifically approved by EBD on a case by case basis. Historically, the vendor has been required to provide Expert Testimony an estimated 5 to 8 times per year.
- Q. The vendor **shall** be actively involved in the evaluation of the vendors providing services for the Plans, therefore it is critical the vendor selected be independent and objective in fact and in appearance. Prior to award, the vendor **shall** sign a confidentiality statement in the event the vendor selected should also contract for services with any of the vendors providing services for the Plans. EBD procured the vendors currently providing services for the Plans in 2011 and additional procurements are anticipated during the first year of award from this solicitation.
- R. The Primary Actuary or the Secondary Actuary **must** be readily available to the EBD Executive Director, or his/her designee, or the Chairman of the State and Public School Life and Health Insurance Board of Directors by telephone within four (4) hours, 24 hours per day, 7 days per week.
- S. The Primary Actuary or the Secondary Actuary **must** attend, in person, various EBD Benefit Subcommittee meetings, State and Public School Life and Health Insurance Board of Director's meetings, or other meetings as required by EBD, approximately 15-20 times per year. Such meetings are normally held at EBD offices in Little Rock, Arkansas or the Arkansas State Capitol. EBD publishes a schedule of regular meetings. Additional meetings called by EBD follow the Freedom Of Information Act (FOIA) notification requirements. The vendor **must** be prepared to attend such meetings within two business days' notice, or within one business day's notice during a regular or called session of the Arkansas Legislature.
- Delete the following from Section 2.4 Reports: Items D, E.4, F, G and I and replace with the following:
- D. In data reporting, EBD does a full updated projection every month as well as comparing actual amounts versus expected trends for each of the Plans. As such, the vendor **shall** submit written summaries and/or graphs of the monthly medical and prescription projection models maintained by the vendor. The summaries and/or graphs submitted **must** be from the previous month's models and **must** be submitted to EBD by the 15<sup>th</sup> of each month.
- E.4. Full OPEB (Other Post-Employment Benefits) liability report for State employees, biannually. The timing of EBD's last full OPEB valuation was 2014 with the 2016 OPEB valuation currently in process. During the off year, the vendor **shall** submit answers to questions received from the Arkansas Office of Accounting for the CAFR (Comprehensive Annual Financial Report). EBD will provide the vendor with monthly financial reports for use in compiling the State employee biannual OPEB liability report.
- F. The vendor **shall** submit Annual Performance Reports regarding the vendor's own conformity to the Performance Standards outlined in this RFP. The vendor **shall** submit the Annual Performance Reports to EBD on or before May 15 of each year. The vendor **shall** include any failure to comply with Performance Standards outlined in this RFP, and **shall** indicate applicable damages assessed. The vendor also **shall** summarize the following information in the Annual Performance Reports:
1. Administration of the Plans by the vendor
  2. Operations of the vendor
  3. Performance of the Plans by the vendor
- G. The vendor **shall** submit Quarterly Performance Reports to EBD no later than 45 days after the end of the quarter. The Quarterly Performance Reports **must** summarize the financial performance of the Plans or any additional information as determined relevant by the State.
- I. The vendor **shall** provide EBD with a monthly, written report summarizing the overall effectiveness of the Plans, as well as a Power Point presentation for viewing by the State and Public School Life and Health Insurance Board, and any sub-committee members. The report and/or presentation **must** provide EBD with consultation and recommendations regarding Plan design and/or administrative adjustments, if needed and **shall** be submitted to EBD on or before the end of each month. The written monthly report **must** outline the status of the Plans and provide recommendations for managing any ongoing risks identified during the monthly risk assessment and **must** support the Power Point presentation.

- Delete from Section 2.6 Administration Requirements: Item B. Replace with the following:
  - B. The vendor **must** utilize the State's secure file transfer protocol. EBD will provide the vendor with Information for the State's Secure File Transfer Protocol upon contract award.
- Delete from Section 4.1: Item E. Replace with the following:
  - E. The vendor **shall** invoice the agency by an itemized list of charges and **shall** include the specific project and staff member assigned to each project. The agency's Purchase Order Number and/or the Contract Number should be referenced on each invoice.

#### REPLACEMENT PRICE SHEET

- Delete the Official Price Sheet and replace with the Revised Official Price Sheet dated 9/12/16.

The specifications by virtue of this addendum become a permanent addition to the above referenced RFP. Failure to return this signed addendum may result in rejection of your proposal.

If you have any questions please contact Angela Allman at [angela.allman@dfa.arkansas.gov](mailto:angela.allman@dfa.arkansas.gov) or (501) 371-6156.

Company: \_\_\_\_\_

Signature: \_\_\_\_\_

Date: \_\_\_\_\_