

# New York State Department of Civil Service

Reference #: RFP ABMC-2017-1: Actuarial and Benefits Management Consulting Services

**Redacted**

**TECHNICAL PROPOSAL**

Proposal Due Date May 31, 2017, 3:00 p.m. ET

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May 26, 2017

Mr. Seth Johnson  
Procurement Manager  
Employee Benefits Division - Room 1106  
NYS Department of Civil Service  
Albany, NY 12239

**Re: Request for Proposals #ABMC-2017-1 - Actuarial and Benefits Management Consulting Services - Firm Offer to the State of New York**

Dear Mr. Johnson:

Deloitte Consulting LLP ("Deloitte Consulting") is pleased to present this proposal to provide health care actuarial and consulting services to the New York State Department of Civil Service, ("the Department"). This proposal describes our approach and demonstrates our experience in completing similar engagements.

As you review our proposal, please consider the following:

- **Our proposed team has deep technical expertise working on projects such as yours.**

With national practices dedicated to the public sector industry as well as the health care industry, we have experience helping similar organizations accomplish their goals. Our professionals are highly credentialed and have direct experience performing the services described by the Department.

Our health actuaries utilize proprietary data to accurately project rates and review reserves and our team of consultants has extensive experience with the tasks and ad-hoc projects contemplated by this RFP, including designing, pricing, and implementing plan designs, market analyses, benchmarking, strategy consulting, vendor management and many other related activities. Further, we will draw on our wide array of other resources as the situation merits, including clinicians, operational specialists, administration experts, data scientists, and communications consultants.

- **We are committed to serving the Public Sector.**

At Deloitte Consulting, we have the experience and the skills to help our public sector clients thrive. We monitor industry trends closely and listen carefully to our clients' needs so that we can consistently bring you sound and timely advice. Deloitte Consulting's professionals are experienced in all facets of the public sector. We provide innovative answers to your questions and concerns that contribute to your success.

Deloitte Consulting has deep and broad experience in the public sector. From the largest multi-tiered state agencies to the smallest counties in rural America, we serve a broad range of state and local government clients. Key to our retention has been a record of strong client service and consultative services. We have provided innovative and strategic solutions that have resulted in significant savings for our clients and their employees and participants. Our public sector client list illustrates our knowledge and understanding of industry-specific processes, challenges, and solutions. Our proposed client service team currently provides similar services to those requested in this RFP for several states and other state/local public entities.

- **We offer unique experience across all health care and benefit areas.**

Each member of the Deloitte Consulting team is knowledgeable in his or her field. Our approach of integrating this team with your benefits strategy will help you maximize the value of benefits both to the Department and to your employees.

- **We remain entirely independent and always will provide objective, unbiased advice.**

Deloitte does not operate group purchasing arrangements (e.g., collectives, cooperatives, coalitions, exchanges) of any kind, and we do not accept commissions or overrides from market vendors. As such, we are able to provide an independent and thoughtful perspective to deliver recommendations based on what we believe to be the most appropriate solutions for your circumstances and long-term objectives.

We understand all of the contractual terms as set forth in the Request for Proposal and agree to negotiate in good faith to reach an agreement that is mutually satisfactory to the Department and Deloitte Consulting. We have successfully negotiated mutually agreeable terms with many New York Departments in the past. If selected, our acceptance of any award is subject to successful negotiation of terms and conditions including, but not limited to, price and exceptions taken.

We appreciate this opportunity to serve the Department. Should you have any questions, or if we can be of assistance to you in any way during your selection process, please do not hesitate to contact [REDACTED] Principal in our practice, is our designated representative for this contract.

Sincerely,

Deloitte Consulting LLP

[REDACTED]



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Deloitte Consulting LLP  
May 26, 2017  
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# Corporate and Account Team Experience

# 1. Executive Summary

Deloitte Consulting is pleased to present our qualifications to serve the Department. Our team has been selected to meet the Department's specific needs and includes credentialed health actuaries as well as seasoned benefit consultants. These professionals have experience in such areas as actuarial analysis and underwriting, rating and reserve setting, strategic benefits planning (including developing, pricing, and implementing plan design changes), pharmacy benefit management, and a broad array of ad hoc services.

Our consultants are an integrated team, whose experience working with employers, providers, and payers makes Deloitte Consulting unique in the marketplace. Our organization has dedicated resources that are fluent in both the public sector and health care industry. Our experience is vast, and we serve many state and local governments, as well as some of the largest health systems in the United States.

## Deloitte's Commitment to the State of New York

### BY THE NUMBERS:



#### WE SHARE CORE VALUES:

- Integrity
- Outstanding value to markets and clients
- Commitment to each other
- Strength from cultural diversity



More than **100** years providing professional services to the public and private sectors in the State



#### Making an Impact—in New York

**\$1.8M**

Donated annually to United Way of New York by Deloitte professionals

**16,200**

Service hours donated by 2,700 Deloitte professionals working at 175 projects during one IMPACT Day in New York in 2014

#### HELPING VETERANS FIND JOBS

As an organization committed to helping veterans transition to civilian life, Deloitte recruits service members and provides them with resume and interview assistance. In April 2015, Deloitte and Hire Heroes USA facilitated an employment workshop for veterans in New York City.



#### Instilling Confidence

##### COLLABORATIVE

"... without Deloitte, we would not have been successful. Deloitte's leadership, talent, teamwork, flexibility, and dedication were the main ingredients to our success."

- Former Executive Deputy Comptroller for Operations and SFS Governance Board Co-Leader, Office of the State Comptroller

##### RELIABLE

"... I worked closely with Deloitte on all aspects of their engagement...and can attest to the timeliness and quality of deliverables and other work products. I appreciated the level of professionalism, communication and collaborative spirit that Deloitte exhibited with me, my staff and other stakeholders."

- Former Project Director/Chief Operating Officer, NYS Justice Center for the Protection of People with Special Needs

#### IMPROVING THE LIVES OF NEW YORKERS



Helped the Office of the State Comptroller design and implement one of the nation's largest and most complex integrated statewide financial systems



Developed a New York Statewide Police Information Network to modernize the State's mission-critical law enforcement information system



Created a Web-based application that allows citizens to quickly pre-screen for social services and apply for food stamps and other services



Enhanced the process that enables the State to protect more than one million New Yorkers in residential facilities from abuse and neglect

We do not just know New York, we are New Yorkers. Deloitte is globally headquartered in New York City. We have more than 100 years of providing professional services to the public and private sectors in the State of New York. We have over 4,400 New York employees statewide, and have eight offices in the State including an office in Albany.

Deloitte has over 20 years of experience collaborating with the State of New York on some of its most complex initiatives and critical business transformation programs. We have successfully completed over two dozen projects for New York State in the last 15 years.

We have deep familiarity with New York's business and political environment and a track record of working across diverse groups of stakeholders and large agencies to deliver results. We have a substantial track record of success implementing large complex projects entailing process, people, and systems transformation. Examples include:

- Deloitte has a history of successfully collaborating with New York State on important Medicaid projects, including supporting the Procurement to Replace New York State MMIS project and the Medicaid Administrative Services Business Transformation project. In addition, at the DOH we have completed other projects including Pharmaceutical Safety Best Practices, Health Benefit Exchange Policy Studies, and at the Department of Financial Services, we are serving as the Actuarial Consultant for the Health Benefit Exchange focusing on risk adjustment and the temporary reinsurance methodology.
- The recent deployment of the Statewide Financial System (SFS), the State's accounting and financial management system, and the development and implementation of the both the NYS Police Information Network (NYSPIN) and the award winning myBenefits/myWorkspace at OTDA are recent examples of Deloitte's ability to collaborate with and help the State deliver a highly critical, cross-entity (state agencies, state control agencies, the State Legislature, and vendors) initiative on target.
- Deloitte's successful implementation of the NYS Justice Center for the Protection of People with Special Needs project helped protect more than one million New Yorkers with developmental disabilities, mental illness, substance abuse disorders, and children in residential facilities from abuse and neglect. The new Justice Center hotline set up to guard against abuse and neglect of the disabled has been busy since they commenced operations in July. The success was recently validated when police in Westchester County made their first arrest based on a tip about an alleged rape.

#### RFP Reference: Section IV A. Corporate and Account Team Experience

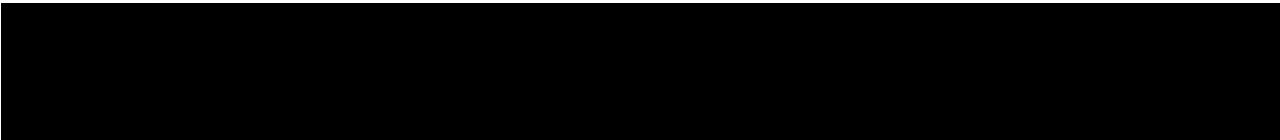
##### 1. Executive Summary (a) Required Submission

The Offeror must submit an Executive Summary outlining its overall program and its capacity to administer the Project Services outlined in this RFP. The Executive Summary must include:

- (1) The name and address of the Offeror's main and branch offices and the name of the senior officer responsible for this account
- (2) A concise description of the Offeror's understanding of the requirements presented in the RFP, the Department's needs, approach, and how the Offeror can assist the Department in accomplishing its objectives

#### Main and Branch Offices and Senior Officer

Deloitte is headquartered at 30 Rockefeller Plaza, New York, NY and has 100 offices across the U.S. Deloitte Consulting is a national organization and we staff our assignments and team based on the best-suited individuals for each client's needs. This is a differentiator, as many other consulting firms attempt to limit client teams (and revenues) to a local office, and staff projects with local staff only. As such, Deloitte Consulting's team for the Department hails from several offices:







### Our Understanding of Your Needs

The Department is seeking consultative services to assist in administering health benefits for over 1.2M covered lives under the New York State Health Insurance Program (NYSHIP). Specifically, the Department is seeking the following services:

**Task1:** A detailed actuarial review of vendor-prepared aggregate cost projections for the self-insured Empire plan; and,

**Task 2:** An evaluation of the current year and upcoming year's projections based on annual data collected in the first and fourth quarters; and,

**Task 3:** GASB 75 valuation services; and,

**Task 4:** Ad hoc consulting services as needed by the Department. These services may include any of a broad range of health and welfare benefits consulting services as described further in our proposal.

The Department's goal is to select a vendor who can deliver quality services at a competitive value. We understand that the Department will select a consultant for this program for a period of five years.

Our proposed team has experience in all of the areas described above. In this proposal, we present our staff and service credentials and our strategy/approach for performing the services requested in this RFP. Our proposed strategy and approach for completing the work, as well as our fees, which are provided in the Cost Proposal document, provided under separate cover, are based on the description of services provided in the proposal. We understand that the Department may need varying support over the course of this contract. We believe Deloitte Consulting's ability to serve as a full-service consultant will serve the Department well in this regard.

### Our Approach

Deloitte Consulting understands the full spectrum of programs that organizations similar to yours manage. Since we are a full-service consulting organization, we have strong technical capabilities in the areas that the Department is responsible for managing regarding health care costs. Our health actuaries and benefit consultants are an experienced team of professionals who work with a variety of clients. We serve self-insured plan sponsors, developing and implementing plan designs, creating projections, analyzing claims data, and setting rates. We also serve health plans, determining capitation rates and fee schedules, reviewing reserve estimates, and setting rates. Members of our team have assisted other states with very unique projects ranging from facilitating the procurement of health care services for inmates to establishing provider network tiering initiatives to manage cost while preserving quality. **What this means for the Department is that we have a comprehensive understanding of the issues and challenges that you may face and the experienced resources to engage on your behalf.** Because our consultants have experience from both an employer and provider perspective, we can bring a broader range of solutions to you than other consultants who may only

deal with issues from an employer perspective. Our experience within the public sector and health care industry allows us to bring tailored solutions to you that work in your unique environment. We will also bring our experiences from other states including best practices and innovative trends.

In the *Technical Approach* section of this proposal we have outlined, in detail, our approach to providing our services for the scope of work requested. It is important to note that we have deep technical experience to serve the Department with all of the services requested and do similar work for other States, as well as for our clients in the private sector. Our team will be led by [REDACTED] who will serve as our "Lead Engagement Principal" and "Lead Actuary" with ultimate actuarial responsibility for all deliverables under this contract. [REDACTED] who will serve as our "Lead Project Manager." Together, [REDACTED] will be supported [REDACTED] as our "Consulting Actuary" for Tasks 1, 2 and 4 and [REDACTED] as our "Consulting Actuary" for Task 3. [REDACTED] are all seasoned consultants. In his role as Lead Engagement Principal and Lead Actuary, [REDACTED] has final responsibility for the quality of our actuarial work; [REDACTED] will take the lead in coordinating all of the Deloitte Consulting service components and will ensure that all of the work to be completed by Deloitte Consulting is synchronized. He will also take the lead on the benefit consulting aspects of our services, especially as these may be related to Task 4, ad hoc services.

[REDACTED] will be supported by other senior professionals in our practice who have worked on similar engagements. As needed, junior staff and other subject matter experts will be included in the engagement.

#### RFP Reference: Section IV A. Corporate and Account Team Experience

##### 1. Executive Summary (a) Required Submission

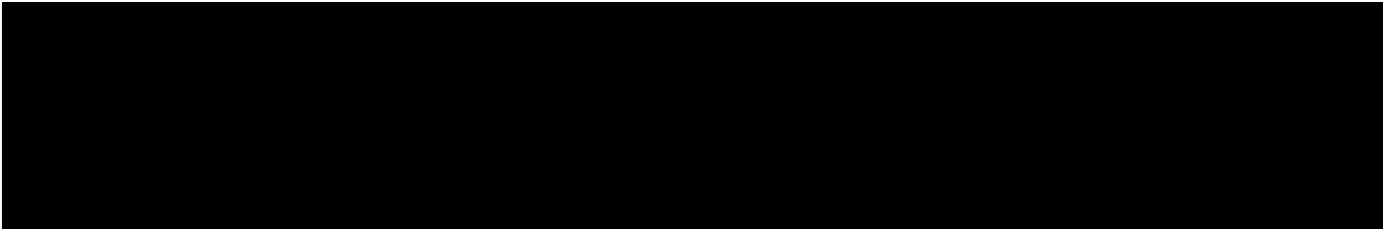
The Offeror must submit an Executive Summary outlining its overall program and its capacity to administer the Project Services outlined in this RFP. The Executive Summary must include:

- (3) A succinct statement that supports the Offeror has maintained an organization capable of performing the work specified herein this RFP, in continuous operation for at least the past three (3) years and that it has provided services comparable to the Project Services outlined in this RFP continuously during said period for the benefit of, at a minimum, three (3) governmental organizations with at least 100,000 in size

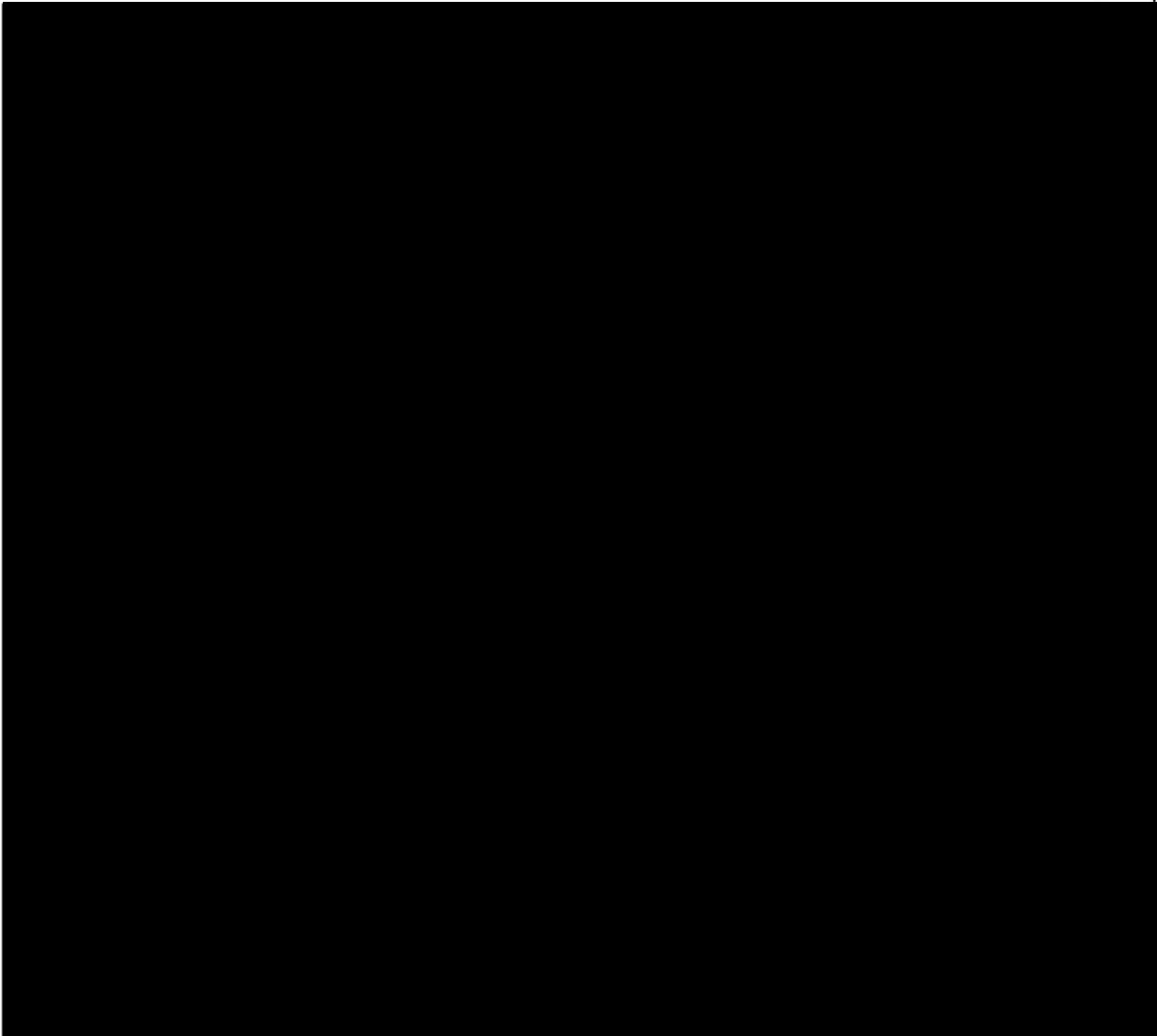
#### We have extensive experience providing actuarial services to similar organizations

Deloitte Consulting regularly performs complex actuarial work for public sector organizations with health care enrollment of a similar size to that of the Empire Plan and we have done so for many years.

Deloitte Consulting has deep and broad experience in the public sector. From the largest multi-tiered state agencies to the smallest counties in rural America, we serve a broad range of state and local government clients. Key to our retention has been a record of strong client service and consultative services. We have provided innovative and strategic solutions that have resulted in significant savings for our clients and their employees and participants.







Our previous experiences in serving the above mentioned public sector clients in developing actuarial projections illustrates our ability to serve clients of a similar size and complexity. We provide specific examples of our service to three such clients in the References section of our proposal. In addition, to understand how these experiences qualify Deloitte Consulting to serve the Department, we have provided additional background about our Consulting organization, our Public Sector Practice, our Human Capital service line, and our Health Actuarial Practice below. These facts are crucial to the Department's understanding of the value that we will bring.

Deloitte is one of the most respected professional service firms in the United States. Our parent company was founded in 1895. We have 100 offices across the nation. We provide a wide range of business and technology services to a variety of clients and industries.

Within the U.S., Deloitte has more than 61,000 professionals across four functions (Consulting, Tax, Audit, and Financial Advisory Services) and the consulting function has more than 44,000 professionals. All four functions work closely together and rely on each other's expertise to provide world class service to our clients.

The multidisciplinary strengths of Deloitte's Actuarial and Benefits consulting practice offer the resources necessary to address a wide range of transformative issues affecting employers. We understand the past and present health care industry, and collaborate with clients to help them create and shape the future. Our practitioners, in conjunction with the Deloitte Center for Health Solutions, bring an in-depth understanding of global, national, and local market trends to provide perspective on what may lie ahead.



- Deloitte was ranked as the #1 Global Health Care Consulting practice, based on breadth of capabilities, in Kennedy's Healthcare Consulting Marketplace 2010-2013: Key Trends, Profiles and Forecasts.
- Deloitte was #1 by revenue in all four segments profiled in the report—life sciences, payer, provider, and government health—and also ranked as a leader in the vanguard for life sciences, payor, and government health.

#### RFP Reference: Section IV A. Corporate and Account Team Experience

##### 1. Executive Summary (a) Required Submission

The Offeror must submit an Executive Summary outlining its overall program and its capacity to administer the Project Services outlined in this RFP. The Executive Summary must include:

- (4) A succinct statement explaining previous experience providing actuarial and benefits management consulting services to other governmental organizations administering health benefits programs and detail how that experience, in general and specifically in regard to the clients given as Client References in response to RFP Section III, qualifies the Offeror and, if applicable, any subcontractors, to perform the required Project Services

This section of our proposal provides an overview of Deloitte and its multidisciplinary service areas, and outlines the actuarial and benefits consulting capabilities of our Human Capital practice. We are confident you will find that we have outstanding public sector qualifications and unmatched health care industry experience. We organize this section as follows:

- Deloitte Consulting
- Our National Public Sector Practice
- Our Human Capital Practice
- Health Actuarial Practice

#### Deloitte Consulting

In the United States, Deloitte & Touche USA LLP is the U.S. member firm of Deloitte Touche Tohmatsu and services are provided by the subsidiaries of Deloitte & Touche USA LLP (Deloitte & Touche LLP, Deloitte Consulting LLP, Deloitte Financial Advisory Services LLP, Deloitte Tax LLP, and their subsidiaries), and not by Deloitte & Touche USA LLP.

Our unique organizational structure and our collaborative approach with the other Deloitte U.S. Firms integrate consulting with tax solutions, financial advisory services, and risk management capabilities. Clients depend on us for straightforward advice and results that create value.

We believe that drawing upon a combination of the disciplines of consulting, finance, tax, and risk allows us to address our clients' most complex business issues from every angle. By combining these highly qualified resources, we are able to develop and implement innovative solutions that create greater value for the clients we serve.

Additionally, we understand that people are our most precious resource. We also know that serving our clients and helping them and our people excel demands a diverse range of skills, talent, experiences, and backgrounds. We are a remarkably diverse organization united by our shared beliefs:

- Outstanding value to clients
- Commitment to each other
- Integrity
- Strength from cultural diversity

Deloitte does not anticipate changes to the corporate governance, ownership, alliances, or relevant products or services throughout the contract term, if awarded.

### National Public Sector Practice

Deloitte has a demonstrated and successful track record of serving public sector clients. We have a dedicated Public Sector practice which represents over 15 percent of our total book of business for the company, making it one of our largest industry practices. We serve as a trusted advisor to several of the largest state government agencies in the United States, and are well-qualified to help the Department tackle its most pressing challenges.

Deloitte U.S. Firms' Public Sector practice has worked with each level of government worldwide. These clients include, but not are limited to, nearly all 50 U.S. states, Canadian provinces, the U.S. and Canadian federal governments, as well as many of the major cities, counties, school districts, and universities in North America. Globally, our Public Sector practice has served major government agencies, health organizations, and public learning institutions in Europe, Asia-Pacific, and Africa. Our experience in the public sector also reflects our understanding of the unique management issues in the public environment, coupled with an overriding understanding of the programmatic issues specific to state and federal government programs.

Our vast assets include a knowledgeable staff, thought leadership and demonstrated methodologies which, when combined with our many years of project experience, form a deep and strong resource pool.



Deloitte has more than 10,000 Public Sector professionals with deep state and federal experience, serving:

- 45 of the 50 U.S. states (41 HHS agencies)
- 17 of the 25 largest U.S. cities
- 12 of the 20 largest U.S. counties
- 30 agencies in the Federal government
- More than 30 higher education institutions
- More than 20 of the largest school districts



## Human Capital Practice

Deloitte's Human Capital practice specializes in providing broad-based business consulting services designed to help organizations in their efforts to integrate people issue resolution with their business strategy. Human Capital services are designed to help organizations in their efforts to enhance their performance, productivity, and profitability through their workforce.

Our practitioners are recognized as national leaders in providing strategic, technical, and operations consulting services to employers, benefits providers, and payors. One of our core competencies is to provide consulting services to employers regarding their employee benefit programs. Our benefits team includes strategic benefit consultants, actuaries, clinicians, data analytics professionals, communicators, and specialists in health plan operations.

Our familiarity with various facets of health care delivery provides our employer clients with unique insight into the pressures and challenges facing payors and providers. In a complex and competitive benefits environment, this extensive understanding of the "consumer" and "provider" provides an insider view into the underlying cost drivers and utilization — a distinct advantage for our clients purchasing health and welfare benefits consulting services.

## Health Actuarial Practice

Deloitte has one of the largest actuarial practices in the world, with over 100 healthcare actuaries in the United States, many serving public and private sector healthcare clients. This vast pool of actuaries, dedicated to the health care industry, give us a strong resource base from which to pull.

We pride ourselves on being:

- Business oriented (strong technical skills are a given),
- Action-oriented, strategic thinkers,
- Skilled in working with a wide variety of people,
- Exposed to multiple perspectives (customers, providers, insurers, manufacturers, vendors, regulators),
- Able to access deep specialists in numerous areas due to the diversity of Deloitte,
- Experienced in a wide variety of projects and roles, and
- Able to offer customized solutions.

Our consultants and actuaries work together on many of our public sector and health care clients. For example, our benefit consultants and health actuaries have served together the [REDACTED]

[REDACTED] and several other public and private sector clients. Deloitte has



### U.S. Human Capital Practice at a Glance

- More than \$550 million in revenues with a double digit revenue growth rate
- More than 2,500 Human Capital practitioners in the U.S. practice
- Kennedy names Deloitte as the market leader (Human Capital Management Consulting Marketplace 2011-2014)
- No. 1 Talent Management consulting practice by revenue (2009 Kennedy report)
- Deloitte Global HR Transformation ranks No. 1 in breadth and depth of capabilities in Kennedy HR Tech and Transformation Consulting Report (Kennedy: HR Technology and Transformation Consulting Marketplace Report 2010-2013)
- Deloitte ranks No. 4 by revenue in Kennedy's Benefits Consulting Marketplace (Kennedy 2011-2014 Report)

extensive experience in providing actuarial support for health benefits programs. Our approach is to bring the right team, with benefit consultants, actuarial consultants, and other professionals as necessary to confirm that relevant issues are considered and addressed when developing actuarial and financial projections and interpreting operational results. Actuarial support is provided in analysis of rate proposals, rate development, health, dental and pharmacy benefit manager plan negotiations, risk sharing assessments, and modeling the potential impact of implementing new health care strategies or employer contribution approaches.

Our practitioners hold many different professional designations including Fellow of the Society of Actuaries (FSAs), Associate of the Society of Actuaries (ASAs), Enrolled Actuaries (EAs), Master of Business Administration (MBAs), Certified Public Accountants (CPAs), Chartered Life Underwriters (CLUs), Juris Doctorates (JDs), Chartered Financial Analyst (CFAs), and Certified Employee Benefits Specialists (CEBS), M.D., R.N., and PharmD.

#### RFP Reference: Section IV A. Corporate and Account Team Experience

##### 1. Executive Summary (a) Required Submission

The Offeror must submit an Executive Summary outlining its overall program and its capacity to administer the Project Services outlined in this RFP. The Executive Summary must include:

##### (5) A concise description of the Contractor's full range benefits consulting services offering and experience addressing, at a minimum, the areas of:

Plan design consulting, provider network access analysis, consulting on vendor procurements regulatory monitoring and compliance guidance, quality care programs, wellness programs, and disease management, performance based contracting, advanced primary care, total cost of care modeling, analytical support, discount analysis

Deloitte has provided employee benefits consulting services since 1978. Our services began in the 1970s with a focus on retirement plans, and we entered the full scope of employee benefits consulting in the 1980s as Human Resources became a more strategic focal point for our clients. Employee benefits consulting services is one of the core competencies for Deloitte's Human Capital practice.

Over the past five years, Deloitte's Rewards practice has grown at an annual rate of approximately 10%, which is well above the growth rates of most of our competitors. This growth has been fueled by our ability to deliver exceptional client value through creative yet practical business solutions. Our practice has made numerous investments in people, technology, and tools in recent years, and we will continue to do so as we anticipate continued growth in the future. We currently are assessing opportunities to increase our investment in innovation, including new benefits related products and offerings that reflect the evolving nature of total rewards and benefits programs.

Looking ahead, total rewards services are core to the overall strategy of Deloitte's Human Capital practice. Given this connection, the firm has a strong commitment to cultivate these services and continue their trajectory as one of the largest growth areas within Deloitte. For our retirement and benefits consulting services, we will continue to focus on providing broad, business-focused advice to help our clients deliver cost effective total rewards programs that are valued by employees and align with the business and talent objectives of our clients.

### Plan Design Consulting

Our consultants have extensive experience in benefit design consulting for both public and private sector clients. We possess proprietary tools and methods to enable us to model incremental changes to current plans, the addition of new plans, termination of existing plans, as well as translation models that allow conversion from one health care delivery system to another.

Our Deloitte Medical Rate Model is used to generate design changes for both medical and pharmacy benefit designs, and is based on over 40 million active/non-Medicare retiree claims records and seven million Medicare retiree claims records, updated annually. This model allows for handling of detailed plan design provisions and can produce plan relativities and cost change impacts based on even subtle plan design changes.

This Excel-based model functions as a claims repayment model, applying detailed input plan provisions against the claims record database, effectively repricing the claims, and producing the actuarially expected plan claim payments versus allowed charges.

Model inputs include:

- Plan year (including short plan year capabilities and partial year claims seasonality)
- Geographic location (state-wide, county, and/or 3-digit zip)
- Active versus retiree population
- Trend assumptions (medical versus pharmacy)
- Medical and pharmacy deductibles and maximum out-of-pocket limits across multi-tiered provider networks
- Coinsurance and copays by service type



- Discount level by service type
- Utilization adjustments by service type
- Age/gender demographic mix
- Current plan premium rates (used to calibrate the model to replicate target plan claims experience)
- HSA and HRA accruals for consumer-directed or high-deductible health plans

### Provider Network Access Analysis

Deloitte Consulting can assist in terms of network access analysis in many ways, including helping the Department to understand network adequacy in areas such as:

- **GeoAccess analysis:** measuring the percentage of members with access to a reasonable choice of providers, by provider type, within a short distance of their homes
- **Provider network depth:** counts of unique providers, by type, by geography (e.g. county)
- **Access to "high performance" networks:** also referred to as narrow networks, these provider panels are comprised of physicians that demonstrate better quality and cost outcomes
- **Centers of excellence analysis:** steerage to and availability of services for highly specialized procedures
- **Narrow retail network analysis:** Accessibility of alternative pharmacies when 1 or more major pharmacy chains are excluded from networks

### Consulting on Vendor Procurements

Deloitte Consulting has led procurements of every type of benefit program and relies on a formal, structured process that is transparent and fact-based. At a high level, our medical request for proposal (RFP) process is outlined below. This includes developing a procurement strategy, drafting the RFP (including questionnaires), managing the pre-bid conferences, evaluating the quantitative and qualitative aspects of proposals and overseeing finalist selections. For many of our clients, we also facilitate on-site visits, if a new vendor is being selected. We have assisted many of our public sector clients with RFPs covering all health and welfare programs, including but not limited to medical, drug, dental, life, disability, flexible spending accounts, and employee assistance programs. Our experience includes procuring for Medicare Advantage plans, EGWP+Wrap, and other health care options available to Medicare-eligible retirees and their dependents.

The services we provide, and the degree of client involvement in the process, are customized for each client based on specific preferences including the Department's procurement processes, interaction with various committees and stakeholders, the need for formal scoring criteria and public disclosure of vendor proposals and result. We have the ability to operate with as much or as little client involvement as desired. As desired, we can conduct RFIs/RFPs using an automated system, although we recognize that many of our public sector clients are not able to use this technology at this point.

The following chart shows the typical RFP process steps and activities:



Step 1	Step 2	Step 3	Step 4	Step 5
<ul style="list-style-type: none"> <li>Define issues, goals and objectives</li> <li>Develop project work plan and timeline</li> <li>Compile data required for RFP development</li> <li>Establish baseline understanding of current plans</li> <li>Determine requested plan designs, alternative options and funding options to include in the request</li> <li>Develop and review potential vendor list</li> </ul>	<ul style="list-style-type: none"> <li>Develop RFP specifications and questionnaire</li> <li>Establish scoring criteria and weighting</li> <li>Finalize the vendor list</li> <li>Agree on final RFP and vendors</li> <li>Distribute RFP to selected vendors</li> <li>Conduct bidders' conference, if desired</li> <li>Respond to vendor questions</li> <li>Collect vendor responses</li> </ul>	<ul style="list-style-type: none"> <li>Analyze each vendor's ability to meet key criteria</li> <li>Present clarifying questions to vendors</li> <li>Evaluate proposed plans, options, rates/fees and contract terms</li> <li>Begin initial negotiations; identify additional required negotiations</li> <li>Prepare findings summary report</li> <li>Identify top finalists based on selection criteria</li> <li>Meet with staff and other key stakeholders as appropriate</li> </ul>	<ul style="list-style-type: none"> <li>Conduct finalist interviews</li> <li>Facilitate site visits, if desired</li> <li>Assist with vendor reference checks</li> <li>Incorporate findings from the finalist interviews, site visits and reference checks</li> <li>Facilitate consensus meeting(s) with staff and other key stakeholders to select the final vendor</li> <li>Notify vendors of award of business</li> </ul>	<ul style="list-style-type: none"> <li>Assist with implementation activities as needed</li> <li>Review feasibility of proposed implementation work plans</li> <li>Lead/facilitate implementation meetings, if desired</li> <li>Finalize any outstanding negotiations</li> <li>Assist with contract negotiations</li> </ul>

## Regulatory Monitoring and Compliance Guidance

We recognize our responsibility to provide up-to-date information and leading-edge solutions to our clients. Our knowledge of legislation and emerging trends, including national health care reform, is one of our core services. We publish a weekly newsletter (Washington Bulletin) that is an accessible and highly valuable source of regulatory information and is distributed to our consultants and clients. There is no charge for this newsletter, and it is ready for distribution within the Department.

Our advice is practical and proactive—if plan changes are needed due to a regulatory requirement, we can quickly project the cost or savings associated with the change and contact your vendors to determine the administrative impact. We'll also help you understand how other employers and plan sponsors are reacting and adjusting.

Our Washington Rewards Policy Center of Excellence monitors legal and regulatory developments and disseminates its findings to the professionals of Deloitte LLP and, ultimately, to our clients. They are in constant contact with their counterparts in our global member firms and disseminate that information and associated insights with our US client service professionals and ultimately the Department. The Washington Rewards Policy Center of Excellence maintains contacts with officials at the IRS, DOL, HHS, and PBGC, and on congressional legislative committee staffs for direct access to the most qualified and authoritative opinions available regarding

our clients' questions. Members of the Washington Rewards Policy Center of Excellence have provided written and oral testimony to Treasury and other agencies with respect to proposed regulations and to Congress with respect to proposed legislation.

Local Human Capital offices also monitor state and regional developments, in order to alert our clients on issues that we suspect may specifically affect their programs and practices. In addition to our practitioners, we employ research librarians in our industry practices who are available to do literature searches via Internet and other search engines like Intellinet, Dow Jones Interactive, Factiva, and Lexis.

### Quality Care Programs, Wellness Programs, and Disease Management

Deloitte Consulting routinely evaluates the performance of quality of care, wellness, care management and disease management programs. For such program reviews, we can evaluate the health plan's utilization, case management processes, assess the efficiency and effectiveness of programs and their alignment with the plan sponsor's requirements and needs. Our approach includes evaluating pre-authorization, concurrent review, case management, and demand management as well as wellness program offerings.

We leverage our understanding of the unique demographic and clinical profiles of the plan sponsor to determine whether the health plan's utilization management program is focused on the areas with greatest potential impact on both quality and cost.

The plan's practices and procedures in these programs also are compared to common industry practices. A sample of records can be reviewed to determine whether policies and procedures are followed in practice. Because we work with health plans and specialty vendors in the design, development and implementation of these programs, we are uniquely qualified to evaluate existing utilization management programs on behalf of employers.

Our quality review examines the following functional areas of a health plan: preventive health, disease management, case management, provider credentialing, formal quality assurance programs, member services, and appeals.

In addition, Deloitte Consulting has conducted assessments of care management vendor program performance to benchmark participation rates in disease management programs by patient intensity (low, medium, high), validate return-on-investment calculations and assess care manager performance.

### Performance Based Contracting

Deloitte can assist the Department with performance based contracting. As an example of this, our experience has supported the configuration and implementation of Accountable Care Organizations (ACOs), as well as the reporting, financing, and risk sharing arrangements used in these models.

### Advanced Primary Care

Deloitte Consulting understands the importance of primary care in the continuum of care and how the primary care setting can determine the level of engagement, direction of care, and choice of specialty providers and hospitals. We can assist the department in reviewing the primary care offerings – medical homes, ACOs, access



to primary care providers by type (e.g. PCP, OB/GYN, Pediatrician) to help the Department optimize this treatment channel.

### Total Cost of Care Modeling

We can work with the Department to model the total cost of care, as needed. The concept of Total Cost of Care (TCC) is emerging, but we define it as *managing to the lowest net cost*. It accepts the contention that fee-for-service discounts are only a piece of what drives a plan sponsor's costs, and the ability of a health plan to avoid unnecessary costs, drive to higher quality providers, ensure that care is delivered in the most appropriate setting and to drive members to act like consumers and to engage in their own wellbeing are all of crucial importance.

### Analytical Support

Our team stands ready to deliver complex analytical support as needed. In the section in which we discuss ad-hoc projects, we provide extensive detail on our capabilities and tools that support our consulting.

### Discount Analysis

We have significant experience in reviewing the discount and pricing implications of vendor provider networks, and it is a core component of vendor evaluations for our self-insured clients. We collect select sets of reimbursement data for the highest volume providers utilized by the client's population, and our actuaries conduct an analysis to determine which provider arrangements would be most advantageous. As part of this process, we request CPT Fee Schedules, DRG rates, and outpatient discounts by facility and geography from vendors. Relative weightings for facilities, provider groups, and claim types are summarized from the most recent client-specific claim and utilization reports obtained from the incumbent vendors. Top 100 CPT and Top 50 DRG utilization is obtained from a national commercial normative claims database to ensure credibility of the sample size used. The analysis provides a relative comparison of medical vendor provider and facility discounts.

We have conducted such analysis for some of our largest and most complex clients, including the [REDACTED] where we compared 16 HMOs and several statewide PPOs as a component of vendor RFIs. We also have provided similar analysis in support of RFPs for the [REDACTED] several large counties, and other commercial entities in recent years. Additionally, on an annual basis we provide the [REDACTED] detailed provider pricing on a risk adjusted basis in the development of its tiers and placement of providers for its [REDACTED] including analysis to determine if the reimbursement reductions offered by provider groups are sufficient to move to a more desirable tier in the network.

## RFP Reference: Section IV A. Corporate and Account Team Experience

### 1. Executive Summary (a) Required Submission

The Offeror must submit an Executive Summary outlining its overall program and its capacity to administer the Project Services outlined in this RFP. The Executive Summary must include:

(6) A description of the activities the Offeror is proposing to undertake to begin or, in the case of the incumbent contractor should they choose to submit a Proposal, continue serving the Department as a client on January 1, 2018

As with any new process, an up-front time investment will reap benefits and ease the transition. The process of engaging a new actuary and/or consultant will be no different, but we will leverage our tools and our processes to minimize the time commitment required from you and your current vendors. Time spent by the current vendors will depend largely on the volume and nature of issues uncovered in the process. Based on prior experience, we would not anticipate significant time on their behalf. We estimate only a few hours for data collection for each plan, and any additional time is dictated by the cleanliness of data and level of detail and information provided. We expect the majority of the time from the Department's resources to be focused on data collection and knowledge sharing at the beginning of the process and issue resolution at the end. After the data collection, barring unforeseen problems, we would expect time to be limited to periodic status calls and any time necessary for issue resolution. The transition to a new consultant to meet your employee benefit needs is straightforward and can be summarized into four major tasks below.

- Kick-off Meeting (upon notice of award): Deloitte Consulting must understand the Department's culture, expectations and the working relationship you hope to achieve with us
- Data Request (request sent upon award): Transfer of data from current vendors and the Department to Deloitte Consulting
- Review of prior financial projections and reports: Review of historical methodology and level of conservatism in estimates for development of future approach
- Transition Results (to be scheduled upon completion of above): Commentary of results found from our assessment

Deloitte Consulting employs proven project management methodologies to ensure a smooth transition. We will work with the Department to establish a more detailed timeframe that best meets your needs upon selection.

### Hold a Kick-Off Meeting for the Department and Deloitte Consulting

Once engaged, we will conduct an initial planning meeting with select members of the Deloitte Consulting and your project teams. We prefer to conduct the kick-off meeting prior to the contract start date, if feasible, to ensure that we are prepared to serve you on day one. At this meeting, we will discuss:

- Scope of services
- Roles and responsibilities
- The Department's preferred approach to working with consultants
- Timing requirements
- Deliverables
- Interim reporting requirements

Additionally, we will discuss the project management protocols and governance to have a clear understanding of your working style, expectations and stakeholders.

## Data Request

In order to prepare for our kick-off meeting, we issue a broad data request to gather detailed people, plan and financial information. We will collect the bulk of the information and data directly from your vendors.

## Review Prior Financial Projections

There are many acceptable approaches to developing cost projections, and while Deloitte Consulting will employ those we feel are in the Department's best interest, we must also understand your historical approaches. This will inform our understanding of the Department's historical costs by line of coverage in the Empire plan, and level of conservatism in estimates and we will be able to describe any recommended changes from the old approach to the new.

### RFP Reference: Section IV A. Corporate and Account Team Experience

#### 1. Executive Summary (a) Required Submission

The Offeror must submit an Executive Summary outlining its overall program and its capacity to administer the Project Services outlined in this RFP. The Executive Summary must include:

- (7) An explanation as to how the Offeror proposes to handle administrative responsibilities, such as the billing and invoicing of charges for services to the Department, including a description of how the Offeror will ensure only accurate and complete billing of charges are submitted to the Department

There is a great deal of flexibility in the format of invoices, and we can design the invoice to include the data that you wish to see. Typically, we will provide a monthly invoice, in which we will outline all work that has been performed during the month prior. The invoice will provide detail on the hours billed and hourly rate by practitioner and level and an overall description of activities. We can also provide information on the total costs incurred against the budget for that task. The invoices are typically emailed to clients, but paper copies can also be provided. Expenses are tracked as a separate line item and billed at cost, without markup. To ensure invoices are complete and accurate, there is a two-step process whereby the invoice is prepared by the Lead Project Manager, and then reviewed by the Lead Engagement Principal before being released to the Department.

### RFP Reference: Section IV A. Corporate and Account Team Experience

#### 1. Executive Summary (a) Required Submission

The Offeror must submit an Executive Summary outlining its overall program and its capacity to administer the Project Services outlined in this RFP. The Executive Summary must include:

- (8) A description of the qualifications and experience of staff assigned to provide IT services in support of the Project Management Team's delivery of the required services and how they will interface with the Project Management Team to complete assignments and reports

The Information Technology (IT) staff on this project will be represented by Deloitte Consulting's technology support teams and they will assist with matters such as:

- Hosting secure sites for the transfer of data
- Communications technology
- Assistance with hardware and software to maintain consultant "up time"



- All Deloitte Consulting personnel have 24/7 access to our technology support center. However, the IT team will not be responsible for client service delivery on this engagement.

#### RFP Reference: Section IV A. Corporate and Account Team Experience

##### 2. Executive Summary (a) Required Submission

The Offeror must submit an Executive Summary outlining its overall program and its capacity to administer the Project Services outlined in this RFP. The Executive Summary must include:

- (9) An overview of the Offeror's IT system and programming capabilities and its capacity to accept data from and exchange data with the Department and Empire Plan vendors/contractors, including a description of security measures used to ensure privacy and confidentiality of data is maintained

Deloitte Consulting utilizes our secure Deloitte OnLine site to provide a secure electronic method for the transfer of data. We have provided a copy of our Security Statement to provide details on the many mechanisms we use to collect, secure, disseminate and destroy data. Refer to Appendix A - "Deloitte Information Security Statement".

Further, Deloitte Consulting protects confidentiality and complies with HIPAA data security and privacy requirements in the following manner:

- **Personally Identifiable Information (PII):** Deloitte Consulting personnel receive training covering the proper handling of personally identifiable information ("PII"). In the instances in which Deloitte Consulting may transmit client PII outside of the Deloitte environment, Deloitte requires its personnel to transmit the data in an encrypted format (i.e., encrypted emails, encrypted file transfers, encrypted USB drives, and encrypted CDs/DVDs).
- **Media Protection:** Secure printing is available at multiple locations within each Deloitte office. Deloitte issued USB drives to its personnel that meet the encryption standards outlined in Federal Information Processing Standard (FIPS) 140-2. In addition, software has been deployed to Deloitte personnel as part of the standard tool set that allows the creation of encrypted CDs (FIPS 140-2 compliant) and encrypted WinZip files (FIPS 197 compliant).

Laptops are encrypted and are required to be secured at all times. Physical access to servers is restricted to authorized parties. Magnetic drives are wiped/over-written with a minimum of three passes with a Department of Defense approved tool prior to being released for re-use and disposal.

Deloitte has employed three methods of PDA protection: 1) forced access PINs; 2) remote wipe in the event of 10 incorrect pin attempts; and 3) remote wipe (through vendor) if the PDA is reported as lost or stolen.

- **Data Destruction** Policies and practices are in place with regard to the destruction of confidential information and PII and vary depending on type of media. For example, hard disks, CD/DVD, USB drives are required to be wiped using a Department of Defense approved disk cleaning tool, while tapes are required to be destroyed at end of life. Paper is required to be shredded.

#### RFP Reference: Section IV A. Corporate and Account Team Experience

##### 1. Executive Summary (a) Required Submission

The Offeror must submit an Executive Summary outlining its overall program and its capacity to administer the Project Services outlined in this RFP. The Executive Summary must include:

- (10) A description of any additional services/benefits that the Offeror provides its customers, including the Department if the Offeror is selected, at no additional charge, e.g., newsletter, white papers, etc.

- Dbriefs - Webcasts for HR Executives

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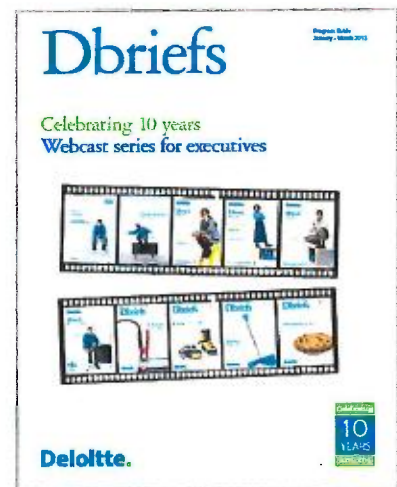
Deloitte Consulting sponsors Dbriefs, a regular series of webcasts geared towards an executive level audience. There is **no charge** to participate in the Dbriefs webcasts and clients can create a personal profile to ensure that they are only invited to those programs that are of interest to them. Dbriefs are available at <https://www2.deloitte.com/us/en/pages/dbriefs-webcasts/topics/upcoming-webcasts.html> and feature topical series that are:

- Informative sessions on relevant business topics aimed at an executive-level audience
- Interactive, with immediate and measurable feedback through polling questions and surveys, including real-time benchmarking with peers
- Convenient, one-hour live webcasts with 45 minutes of content and 15 minutes of Q&A
- Flexible, offering archived webcasts available anytime, from anywhere, for 180 days after the live presentation
- Educational, with Continuing Professional Education (CPE) credit available toward career development for most live webcasts

Stay connected to business issues that are top of mind for HR and Talent executives across all industries. Dbriefs—the leading business-to-business live webcast program in the United States today—features practical knowledge from Deloitte specialists and market experts.

Recent topics include:

- Diversity and inclusion: Why training isn't enough
- People analytics: Actionable insights are the new mandate
- 2017 global human capital trends
- HR transformation: Fueling sustained performance in a world of disruption
- HR 2017: Bersin by Deloitte predictions for the year ahead
- Shaping culture, driving strategy: Supporting the CEO's and executive team's vital role
- Human Capital Surveys and Reports



In addition, Deloitte Consulting publishes the Human Capital Trends survey each year. Our latest survey, **The 2017 Deloitte Global Human Capital Trends report**, draws on a survey of more than 10,000 HR and business leaders globally, and takes stock of the challenges ahead for business and HR leaders in a dramatically changing digital, economic, demographic, and social landscape. Check out the latest survey at: <https://www2.deloitte.com/us/en/pages/human-capital/articles>. Prior surveys are summarized below.

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**Human Capital Trends 2016: The new organization: Different by design:** Effective organizations today are built around highly empowered teams, driven by a new model of management, and led by a breed of globally diverse leaders. They are "different by design." More than 7,000 HR and business leaders from 130 countries responded to this year's survey. From this research emerged 10 trends in organization design and culture; in learning, leadership, and workforce management; and within the HR function itself.



**Human Capital Trends 2015: Leading in the new world of work:** Global organizations today navigate a "new world of work"—one that requires a dramatic change in strategies for leadership, talent, and human resources. More than 3,300 organizations from 106 countries contributed to Deloitte's Global Human Capital Trends 2015 survey, assessing the importance of specific talent challenges and their readiness to meet them.



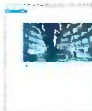
**Human Capital Trends 2014: Engaging the 21st-century workforce:** CEOs and HR leaders see talent as a major challenge to growth. Where should you focus? Our survey of 2500+ leaders in 90+ countries reveals 12 critical trends shaping the human capital agenda.



**Global Human Capital Trends 2013: Resetting Horizons:** Looking beyond continued uncertainty, the world's leading organizations are raising their sights, and pivoting from the great recession to the new horizons of 2020 with a focus on talent, globalization, growth, and innovation. This report introduces 13 global trends that are driving critical business and human capital decisions. Download the report to learn more about the trends, and the results of our survey of over 1300 business and HR professionals from 59 countries.



**Human Capital Trends 2012: Leap ahead** outlines eight trends that HR organizations must address as they balance the need to enabling both their organization's overall growth agenda and drive efficiency in the business of HR. For 2012, the list of trends includes topics on workforce analytics; global operating models; the CEO's mandate for HR; sales effectiveness; risk; innovative leadership programs; and the cloud, mobile, and social media.



**Human Capital Trends 2011: Revolution/evolution** discusses 12 significant trends that are shifting the HR landscape. Some revolutionary and some evolutionary, these trends are transforming how human capital leaders and professionals create value for the organizations they serve, their people, and their communities, both inside HR and across the broader business.



## 2. Account Team

### RFP Reference: Section IV A. Corporate and Account Team Experience

#### 2. Account Team (a) Duties and Responsibilities

The Department expects the successful Offeror to have in place a proactive, experienced Project Manager and an experienced team who have the authority to coordinate the appropriate resources to implement and administer Project Services.:

- (1) The Offeror must have a knowledgeable, experienced project management team in place that has the responsibility, authority and integrity to administer, manage and oversee all aspects of the required Project Services during the entire term of the Contract

### Our Customized Client Service Team

The key to exemplary professional services is talented, experienced, and dedicated people. Led by [REDACTED] the multidisciplinary team of professionals selected to serve you brings a combination of high-level client service, public sector industry knowledge, actuarial and benefits consulting experience, and business acumen that you will not find from another service provider. Collectively, they possess the breadth of skills needed to address the Department's current and future needs.

### Our Customized Client Service Team for the Department

Our customized client service team represents our commitment to bringing the experienced professionals required to meet the goals the Department has for this consulting engagement. Each member of our core client service team has extensive experience working with public sector employers on a wide variety of benefit and actuarial consulting needs. We selected this team for you based on:

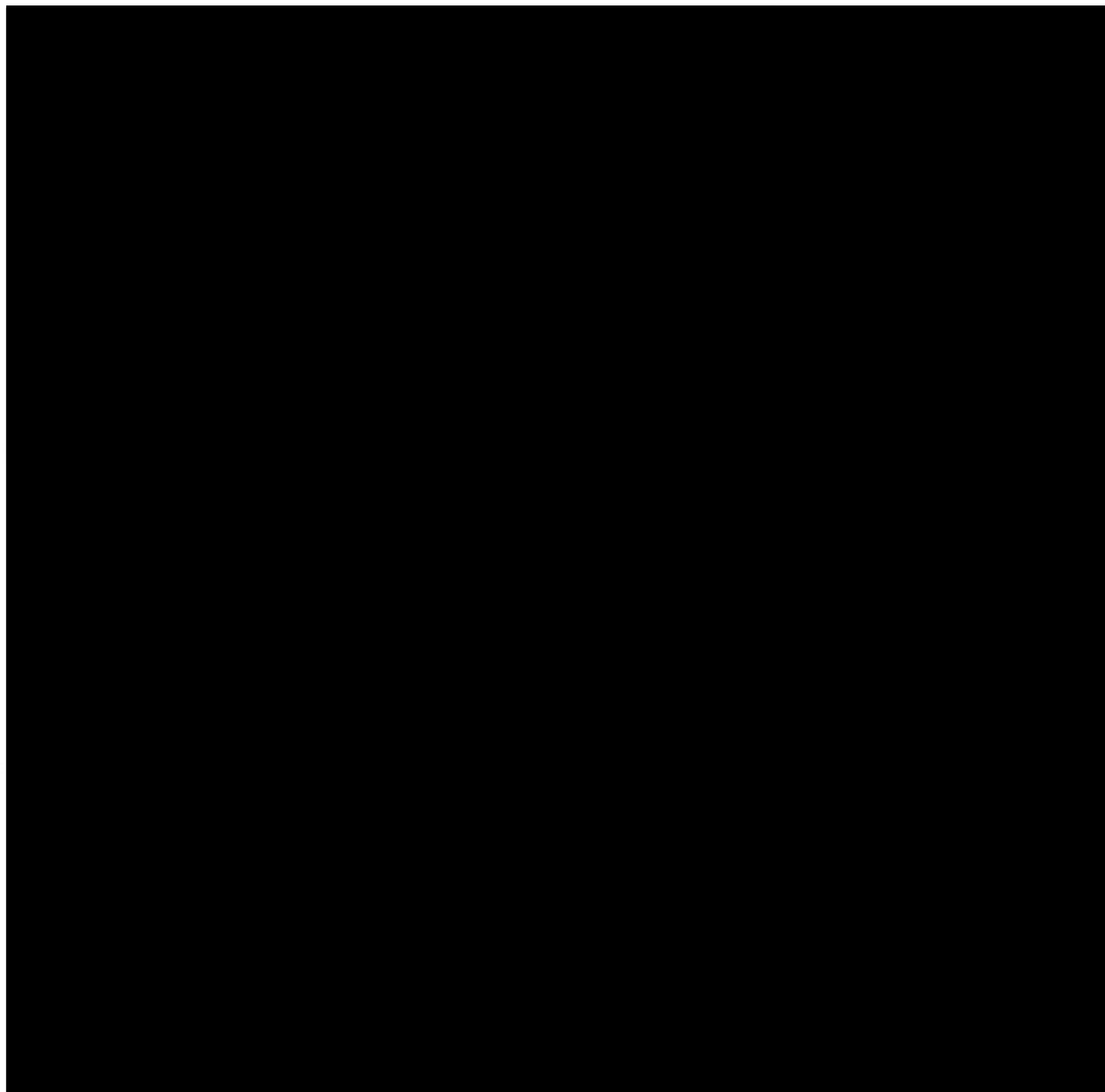
- Practitioner experience in the public sector
- Broad base of actuarial, benefits design, and consulting talent
- In-depth knowledge of the health care, pharmacy benefit management, and insurance industry
- Technical knowledge in specific areas including actuarial forecasting, underwriting, pricing models, network management, and benefit plan consulting
- Ability to commit time required
- Project management skills
- Client relationship and personal attributes
- Client/staff communication capabilities

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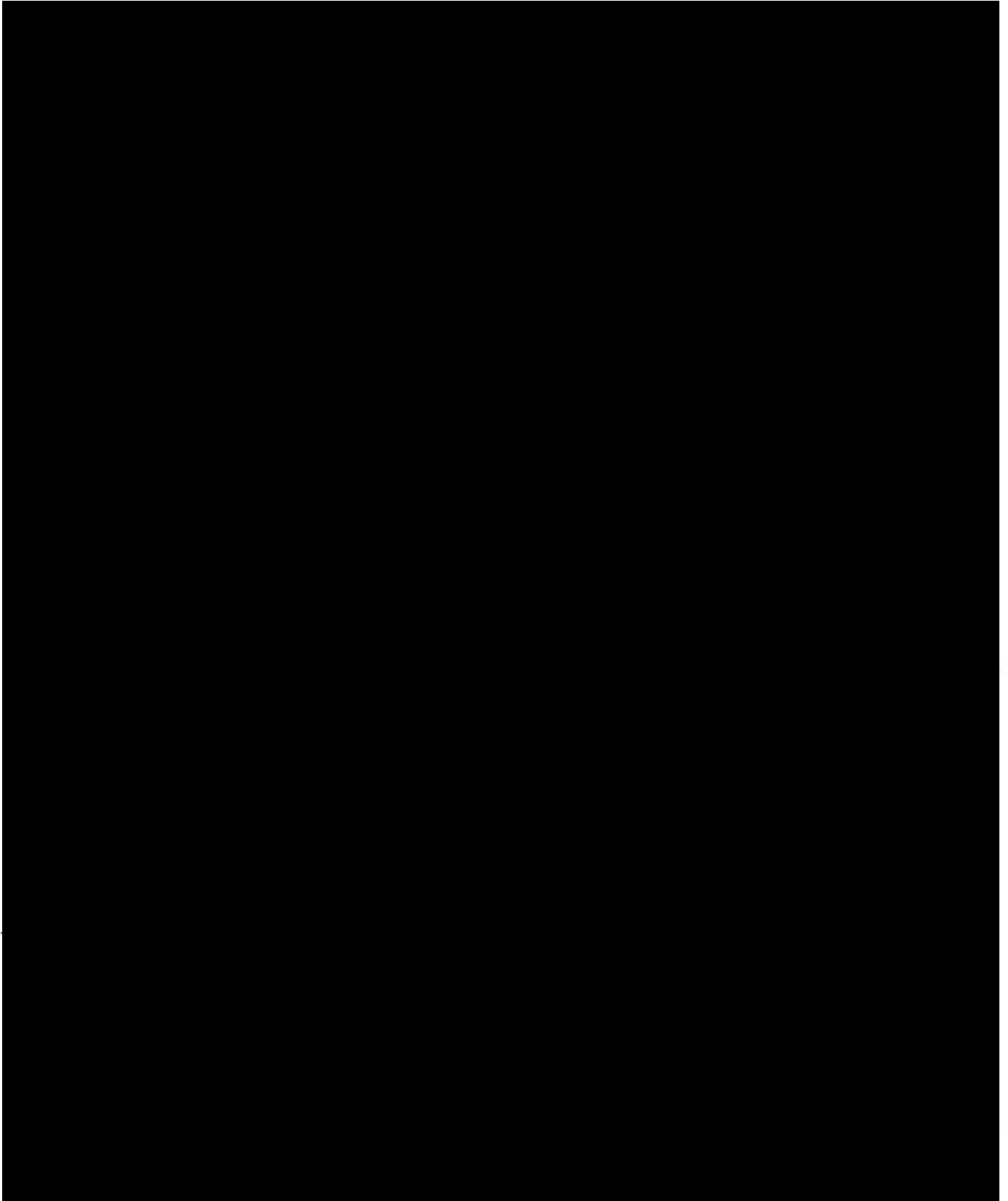
### Client Service Team Members

We introduce the core client service team members and specialists below, along with a brief description of their qualifications, roles, and responsibilities. Full resumes for all team members can be found in Appendix B Exhibit I.B, entitled, "Biographical Sketch Forms" of this Technical proposal.

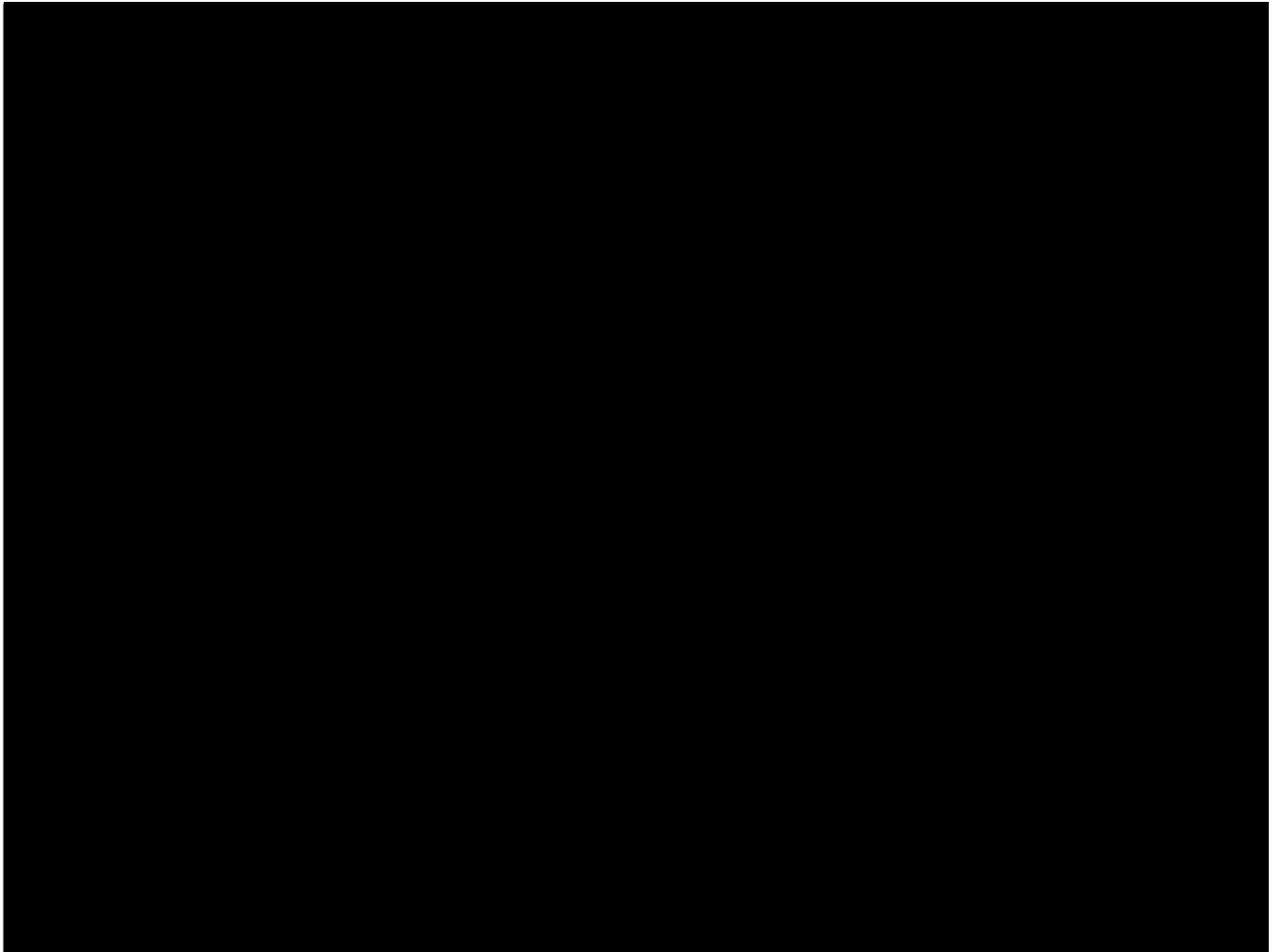
### Core Client Service Team



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We are committed to consistently exceed the expectations of our clients. Our primary objectives are to understand your goals and expectations, to respond to those needs quickly and effectively and to add value each time we work with you. Therefore, we will make ourselves accessible to the Department's staff and work toward the development and use of systems that enhance communication and documentation of our work. Our client service team will be accessible to the Department as necessary throughout the group health plan proposal, evaluation and implementation process. We see no issues in meeting the required timelines as stated in this RFP.

We do not believe that Deloitte Consulting has any professional or ethical conflicts of interest which might interfere with handling this contract, including matters and/or cases where the firm currently represents an individual or entity with interests adverse to the Department.

#### **RFP Reference: Section IV A. Corporate and Account Team Experience**

##### **2. Account Team (a) Duties and Responsibilities**

The Department expects the successful Offeror to have in place a proactive, experienced Project Manager and an experienced team who have the authority to coordinate the appropriate resources to implement and administer Project Services.:

- (2) Designate a single account executive ("Project Team Leader") accountable to the Department and responsible for ensuring that the needs of the Department are met

██████████ will serve as the account executive and Project Team leader. As such, ██████████ will be accountable to the Department and responsible for ensuring that the needs of the Department are met. ██████████ is a Principal in our organization, and can quickly garner any resources needed to assist the Department. Further, ██████████ will be available to the Department as needed, by office phone, mobile phone, email, and for any in-person meetings that may be required.

**RFP Reference: Section IV A. Corporate and Account Team Experience**

2. Account Team (a) Duties and Responsibilities

The Department expects the successful Offeror to have in place a proactive, experienced Project Manager and an experienced team who have the authority to coordinate the appropriate resources to implement and administer Project Services.:

- (3) Be able to maintain and adjust staffing patterns at appropriate levels to provide services as requested by the Department

**Agreed.** We have sufficient actuarial and consulting resources to maintain and flex our staffing to meet the changing needs of the Department.

**RFP Reference: Section IV A. Corporate and Account Team Experience**

2. Account Team (a) Duties and Responsibilities

The Department expects the successful Offeror to have in place a proactive, experienced Project Manager and an experienced team who have the authority to coordinate the appropriate resources to implement and administer Project Services.:

- (4) Ensure that all activities associated with Tasks 1, 2, 3, and 4, as applicable will be overseen by an individual certified as a Fellow in the Society of Actuaries ("FSA")

**Agreed.** ██████████ and he will oversee all work performed for the Department.

**RFP Reference: Section IV A. Corporate and Account Team Experience**

2. Account Team (a) Duties and Responsibilities

The Department expects the successful Offeror to have in place a proactive, experienced Project Manager and an experienced team who have the authority to coordinate the appropriate resources to implement and administer Project Services.:

- (5) Notify the Department in writing of changes in key project management team personnel

**Agreed.** While we do not anticipate turnover of key project management team personnel, we will notify the Department in writing of the changes and provide suitable replacements.

**RFP Reference: Section IV A. Corporate and Account Team Experience**

2. Account Team (a) Duties and Responsibilities

The Department expects the successful Offeror to have in place a proactive, experienced Project Manager and an experienced team who have the authority to coordinate the appropriate resources to implement and administer Project Services.:

- (6) Notify the Department of any actual or anticipated events impacting the delivery of Project Services and present options available to minimize or eliminate the impact of those events on the delivery of Project Services

**Agreed.** We will notify the Department if we anticipate or encounter events that impact the delivery of Project Services. We will further attempt to ameliorate any events that may result in a delay of these services and discuss the solutions with the Department.

It is our goal to operate under a “no surprises” policy, and to maintain open and frank communications with the Department.

#### RFP Reference: Section IV A. Corporate and Account Team Experience

##### 2. Account Team (b) Required Submission

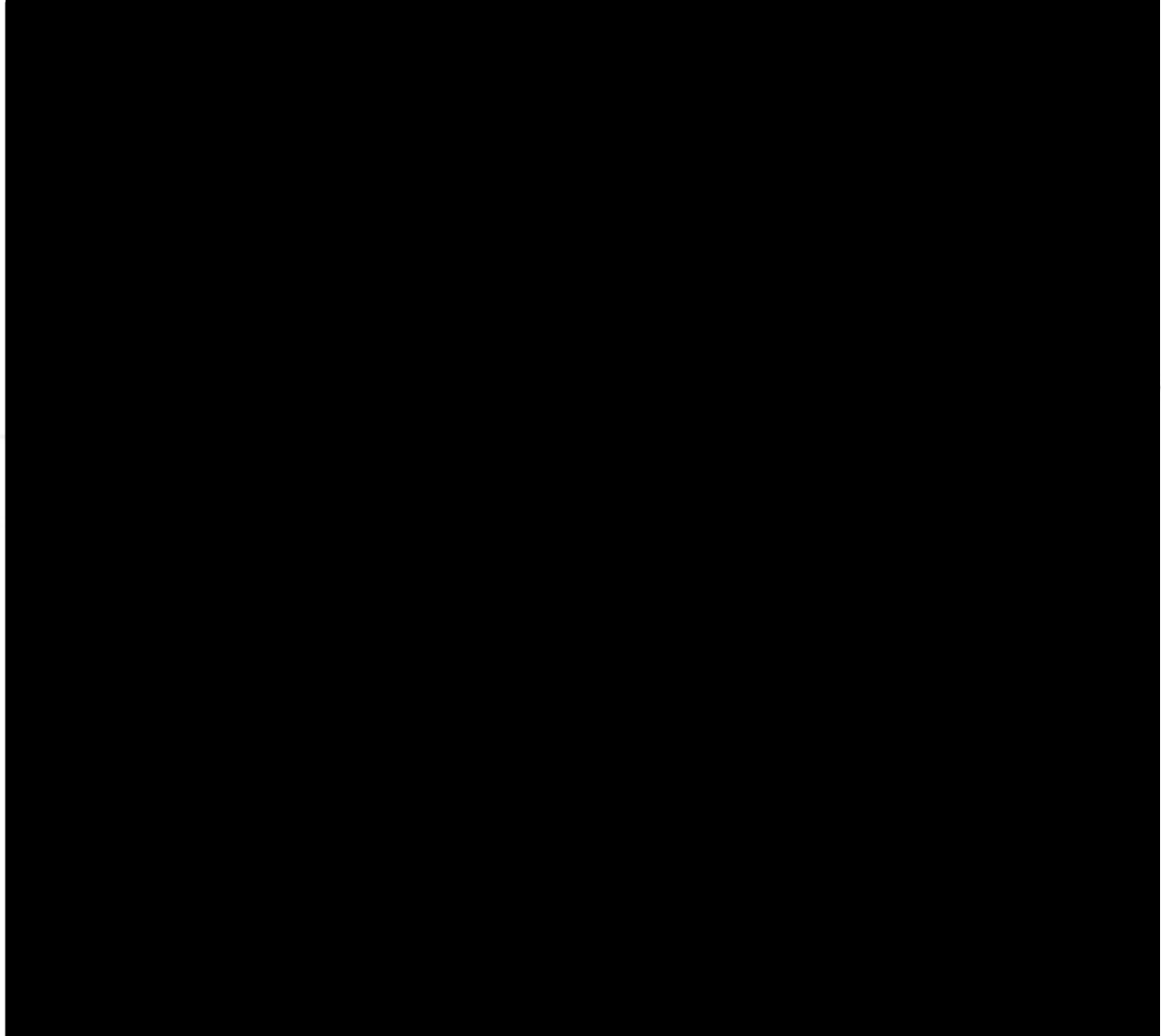
The Department expects the successful Offeror to have in place a proactive, experienced Project Manager and an experienced team who have the authority to coordinate the appropriate resources to implement and administer Project Services.:

- (1) Provide an organizational chart and narrative description illustrating how the Offeror proposes to administer, manage, and oversee all aspects of the Projects.
  - Complete RFP Exhibit III.A entitled Project Team Roster listing the Offeror’s proposed key project management team members, including Key Subcontractors, if any.
  - The Offeror should also complete and submit RFP Exhibit I.B, entitled, “Biographical Sketch Form” for each proposed key project management team member. Where key individuals are not named, include qualifications of the individuals that you would seek to fill the positions. Include the following



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We propose the following organizational structure to serve the Department:



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## Exhibit III.A Project Team Roster

Project Team Member's Name <sup>1</sup>	Position Title	Subcontractor (Y/N)	Employer
	Project Team Leader (Principal)	N	Deloitte Consulting LLP
	Lead Project Manager (Lead Consultant)	N	Deloitte Consulting LLP
	Public Sector Advisor (Lead Consultant)	N	Deloitte Consulting LLP
	Lead Actuary: Task 3 (Lead Consultant)	N	Deloitte Consulting LLP
	Lead Actuary: Tasks 1,2 4 (Lead Consultant)	N	Deloitte Consulting LLP
	Consulting Actuary (Lead Consultant)	N	Deloitte Consulting LLP
	Consulting Actuary (Lead Consultant)	N	Deloitte Consulting LLP
	Consulting Actuary (Lead Consultant)	N	Deloitte Consulting LLP
	Consulting Actuary (Consultant)	N	Deloitte Consulting LLP
	Regulatory Advisor (Principal)	N	Deloitte Consulting LLP
		Y	QED National

**NOTE:**

<sup>1</sup> Employers are required by Federal law to verify that all employees are legally entitled to work in the United States. Accordingly, DCS reserves the right to request legally mandated employer-held documentation attesting to the same for each individual assigned work under the Contract. In accordance with such laws, DCS does not discriminate against individuals on the basis of national origin or citizenship.

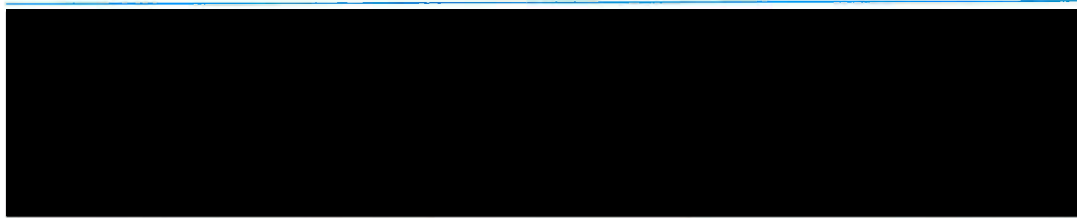
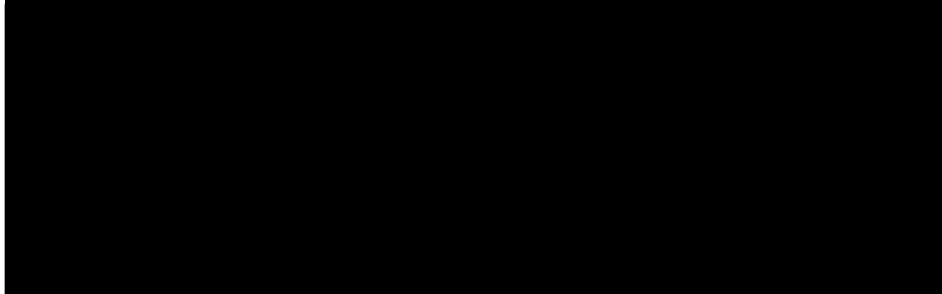
Full resumes for all team members can be found in Exhibit I.B, entitled, "Biographical Sketch Forms".

**RFP Reference: Section IV A. Corporate and Account Team Experience**
**2. Account Team (b) Required Submission**

The Department expects the successful Offeror to have in place a proactive, experienced Project Manager and an experienced team who have the authority to coordinate the appropriate resources to implement and administer Project Services.:

(2) Describe the experience of the individual who will assume the role of Project Team Leader. Include a description of the individual's experience with clients similar in size and scope of the Department

Client Experience and Personal Qualifications



RFP Reference: Section IV A. Corporate and Account Team Experience

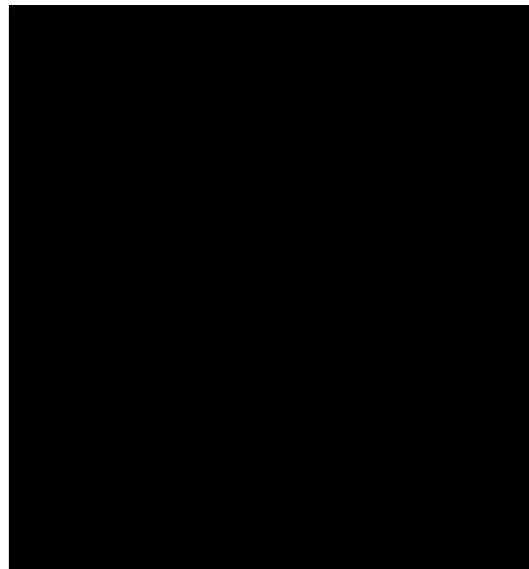
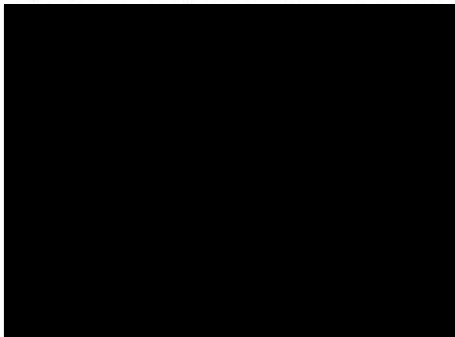
2. Account Team (b) Required Submission

The Department expects the successful Offeror to have in place a proactive, experienced Project Manager and an experienced team who have the authority to coordinate the appropriate resources to implement and administer Project Services.:

- (3) Confirm that the Project Team will be readily accessible to the Department. Describe where the Project Team will be located.

**Confirmed – the project team will be readily accessible to the Department.**

The project team will be based out of the following offices:





**RFP Reference: Section IV A. Corporate and Account Team Experience****2. Account Team (b) Required Submission**

The Department expects the successful Offeror to have in place a proactive, experienced Project Manager and an experienced team who have the authority to coordinate the appropriate resources to implement and administer Project Services.:

- (4) Provide a description of how the Offeror proposes that the Project Management Team will successfully handle the four (4) tasks (including an indication of the percentage of time, by team member, dedicated to the project and a task(s), manage the Department's account; and interface with the Department in its delivery of Project Services; a description of the process by which the Offeror proposes to provide notification to the Department of actual or anticipated events impacting the delivery of Project Services and the presentation of options available to minimize or eliminate the impact of those events on the delivery of Project Services; a description of how the Offeror proposes to provide additional resources, should the need arise, from within the organization and/or from a third party; for those positions for which an individual(s) has not been named at time of Proposal submission; a description of how the Offeror proposes to recruit the person(s) to fill the position; a description of how the Offeror proposes to recruit replacement personnel, should one or more Project Management Team members leave during the term of the Contract; and a description of the steps that will be taken to ensure the continuity of Project Management Team members throughout the term of the Agreement.

**How the Project Management Team will successfully handle the four (4) tasks (including an indication of the percentage of time, by team member, dedicated to the project and a task(s), manage the Department's account; and interface with the Department in its delivery of Project Services:**

Deloitte Consulting has proposed an incredible team of experienced consultants to serve the Department. Each possesses the requisite skills and experience to successfully deliver their respective tasks. Further, [REDACTED] will lead this team and interact regularly with the Department. It is this interaction that will translate our work into the exceptional performance that the Department expects.

We will work collaboratively with the Department. This means that we will communicate regularly and share a mutual understanding of roles, responsibilities, timelines and stakeholders. At the outset of each task, detailed project plans will be created and shared with the Department. These will be tracked and regular updates – likely weekly – will be shared with the Department. We believe in open lines of communication, frank discussions and raising risks before they become issues. In addition to meeting regularly with the Department, the Deloitte Consulting team will also meet on a weekly basis and discuss progress against the plan, risks, and issues. [REDACTED] will coordinate these discussions, and when situations warrant, he will raise matters to [REDACTED] and the Department.

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Given the nature of the work (different tasks require different project teammates) and occur at different times of the year, none of the project team members will be "full-time" in their service to the Department, except during those periods where full-time activity is required. Below we have estimated the percent of time dedicated to serving the Department by team member:

Team Member	Tasks	% of Time
	All tasks	10-20%
	All tasks	20-30%
	Primarily tasks 1, 2 and 4	10-20%
	Tasks 1, 2 and 4	10-20%
	Tasks 1, 2 and 4	20-30%
	Tasks 1, 2 and 4	20-30%
	Task 3	10-20%
	Task 3	20-30%
	Task 3	20-30%
	Advice as needed	As needed

**Provide a description of the process by which the Offeror proposes to provide notification to the Department of actual or anticipated events impacting the delivery of Project Services and the presentation of options available to minimize or eliminate the impact of those events on the delivery of Project Services.**

Should an issue arise that could potentially impact the delivery of Project Services, we will notify the Department. Through the use of the project plan and weekly internal discussions and regular discussions with the Department, we anticipate that project *risks* would be raised and dealt with before they become *issues*.

We will further attempt to ameliorate any events that may result in a delay of these services and discuss the solutions with the Department. If additional resources are needed, these will be obtained from our significant pool of actuaries and consultants.

**Provide a description of how the Offeror proposes to provide additional resources, should the need arise, from within the organization and/or from a third party.**

Deloitte Consulting draws from one of the largest pools of in-house health care actuaries of any consulting firm. Further, we have contracted with [REDACTED] a M/WBE organization that can specialize in staff augmentation. Between these in-house and external resources, we are confident that we can quickly tap into additional resources should the need arise.

Indicate, for those positions for which an individual(s) has not been named at time of Proposal submission; a description of how the Offeror proposes to recruit the person(s) to fill the position.

A team member has been identified in our proposal for all positions required by the Department based on the RFP. However, should additional needs arise, Deloitte Consulting will fill the need from our pool of internal resources or via the staff augmentation function of [REDACTED]. Internal "recruitment" is based on staff availability and "fit" with the needed role. We will work with our internal staffing managers to identify and deploy additional staff to serve the Department, as needed.

**Provide a description of how the Offeror proposes to recruit replacement personnel, should one or more Project Management Team members leave during the term of the Contract; and a description**



**of the steps that will be taken to ensure the continuity of Project Management Team members throughout the term of the Agreement.**

If a key member of the project team were to leave during the term of the Agreement, [REDACTED] and/or [REDACTED] would work with our national leadership team to identify a suitable replacement. For a key role that requires regular interaction with the Department, we may ultimately present more than one candidate to the Department to enable the Department to provide input into the selection process. Wherever possible, we will attempt to have the person currently in the role work directly with the new person to transition their work and knowledge. In addition, we maintain extensive, detailed and highly organized work papers to facilitate knowledge transfer and maintain work continuity.

#### RFP Reference: Section IV A. Corporate and Account Team Experience

##### 2. Account Team (b) Required Submission

The Department expects the successful Offeror to have in place a proactive, experienced Project Manager and an experienced team who have the authority to coordinate the appropriate resources to implement and administer Project Services.:

- (5) Provide reporting relationships and the responsibilities of each key position of the account management team; and how the team will interact with other business units or functional areas within the Offeror's organization. The Offeror must include the percentage of time (by position) dedicated to the Program and reporting relationships. Describe how the account management team interfaces with senior management and ultimate decision makers within the Offeror's organization

[REDACTED] is a Principal of Deloitte Consulting LLP. As such, he is a part owner of the organization and holds a leadership position. In addition, he leads our Public Sector Actuarial Practice. On this engagement, [REDACTED] will lead our team. In addition, he will provide final review of all deliverables of significance and interact with the Department's leadership. [REDACTED] will hold the ultimate responsibility for the work we deliver and the Department's satisfaction with that work and the Deloitte relationship. In addition, [REDACTED] can leverage other components of the Deloitte organization and bring these resources to the Department as needed. These include areas such as Tax, Technology, and Audit capabilities. [REDACTED] time serving the Department is anticipated to be split roughly 50/50 between client management functions (internal and external team management) and review of work products/deliverables. [REDACTED] will attend meetings of significance at the Department, especially those where leadership representation is required.

[REDACTED] will serve as Steve's "chief of staff" on this project. In this role, [REDACTED] will report to [REDACTED] and will coordinate all work with the internal team. He will interface directly with the Department and attend all meetings of significance. [REDACTED] is based in upstate NY and can readily attend meetings as needed. His time will be split 50/50 in terms of managing the team and client service, including reviewing deliverables and interacting with the Department. [REDACTED] works closely with [REDACTED] who serves a number of public sector clients from his office in Minneapolis. On this project, [REDACTED] will serve as a public sector advisor to the team and will leverage his consulting on these other clients to the benefit of the Department. [REDACTED] time will be spent 75% interacting with the team and 25% in a client service (review) capacity. [REDACTED] and [REDACTED] will serve as the consulting actuaries for Tasks 1, 2 and 4 ([REDACTED] and Task 3 [REDACTED]). In these roles, they will report to [REDACTED] and ultimately to [REDACTED]. Their work will be 100% dedicated to client service. [REDACTED] and [REDACTED] will be supported by other managers and staff who are listed in this proposal and whose hours spent on Department work will be 100% related to client service.



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# Project Services

**RFP Reference: Section IV B. Task #1 - Premium Rate Development****b. Required Submission****(1) A detailed description of the steps, factors, and required staff resources**

Because of Deloitte Consulting's experience and resources, we are highly qualified to perform the review of claims history and rate setting for self-funded plans as well as fully insured plans. Deloitte Consulting is able to draw upon a variety of actuarial experts, underwriting experts, and analysis tools to develop appropriate rate projections for their employer clients. Deloitte Consulting develops rates for self-funded employers, insurers, and HMOs. Our actuarial rate development experience includes a variety of products, including group, individual, community rated, Medicare and Medicaid. In developing these rates, we draw upon our experience in working with health care claims, calculating IBNR, dealing with regulatory agencies, and projecting expected claims costs.

All rate developments performed will be completed according to applicable Actuarial Standards of Practice (ASOPs) and will meet all state and federal requirements, including Accountable Care Act (ACA) requirements. All rate setting methodologies and any rate development reports and reconciliations will be submitted to the State upon completion.

An analysis of expected premium rate renewal information from the healthcare programs would be accomplished through comparison to our own independent actuarial rate development. Deloitte would leverage existing tools and models designed to develop actuarial premium rates.

In general, Deloitte would collect a variety of data to develop the most accurate projected rates. These data sources would include historical rate projections, claims experience data, encounter data, financial data supplied by the State and its vendors, information on policy and programmatic changes, cost savings projections, market trends, other relevant information. The programs' administrative costs are also collected. Once this information is collected, along with input from the State, Deloitte determines the optimal way to develop preliminary and ultimate premium rates. The work steps involved in an actuarial rate development detailed in the next section.

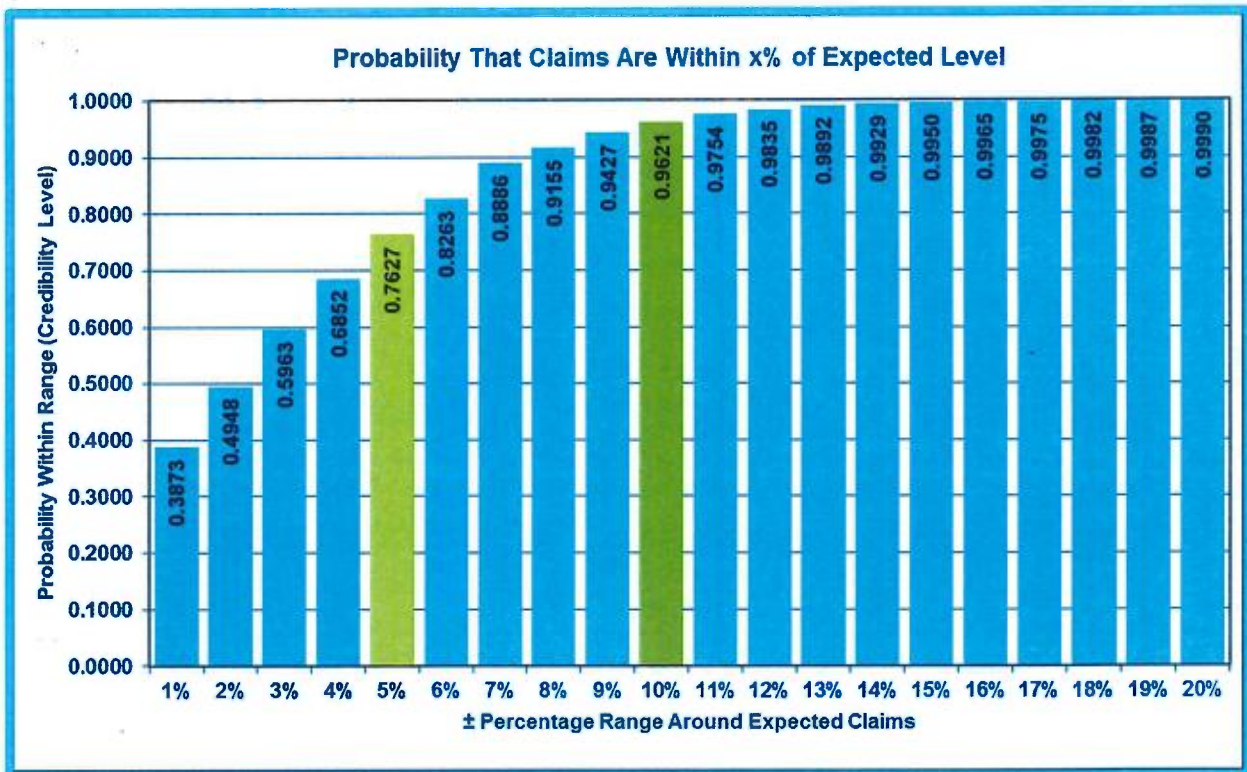
**Step 1 – Data collection:** Deloitte Consulting will collect data from appropriate data sources with the assistance and direction of the State. While it is ideal to segregate data for each plan option, aggregated data can also be used.

*Typically the data collected would not contain any identifiable personal health information (PHI). In the event that any PHI is required, Deloitte (a) always takes the necessary steps to both collect only that PHI that is necessary for premium rate development purposes via a secure data-transfer protocol, and (b) secures that data with very limited access to only those Deloitte staff authorized by the State and Deloitte to make use of such data.*

The data will include claims experience (typically on a monthly basis for, ideally, a three-year period in order to better analyze large claims experience and smooth any claims volatility that may have emerged), encounter data, monthly enrollment counts, large claims experience (at a threshold level to be decided between the State and Deloitte), and any other available information deemed necessary by the State and Deloitte Consulting (key examples of which are discussed in the steps below).

If necessary, Deloitte Consulting will be able to supply normative data from its claims databases to perform the appropriate benchmarking and comparative analyses.

The determination of the minimum number of years of historic claims experience data can be assessed based on the Deloitte Claims Credibility Assessment model, which provides guidance on the appropriate number of years of experience to include to establish a desired level of claims credibility for projection purposes. An example of claims credibility for a 5,000-life group based on 12 months of claims data is shown below.



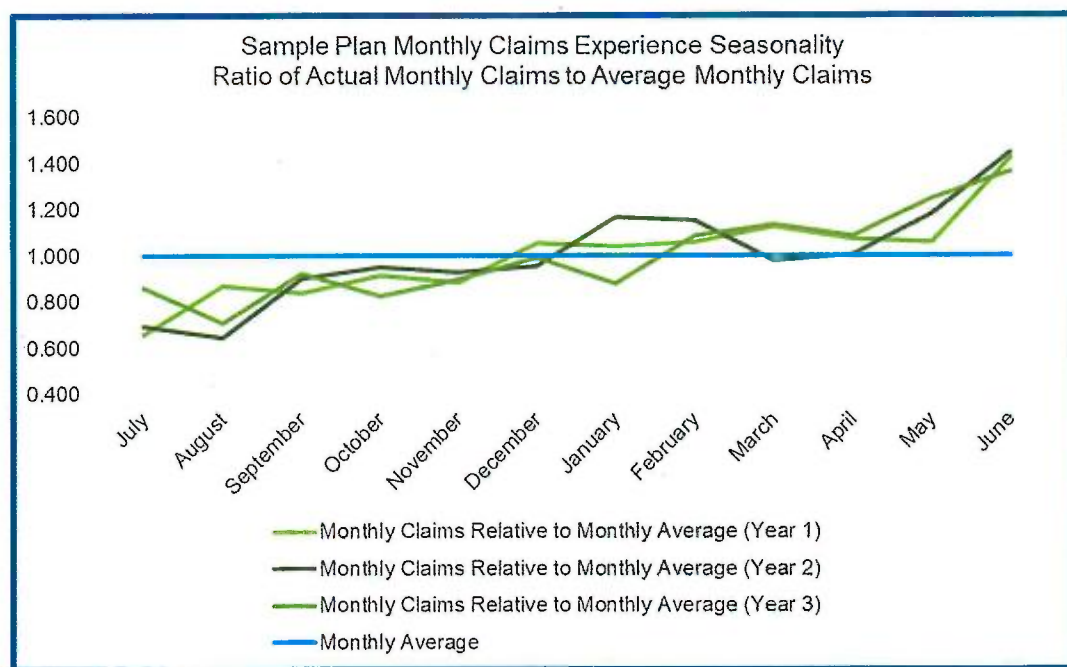
**Step 2 – Data verification/validation:** After the collection of the data, Deloitte Consulting will verify the accuracy and reliability of the data based on reporting available from the State and its vendors and standard checks for completeness. Additionally, Deloitte Consulting will perform high level validations of the data based on other available data sources whenever necessary, such as the normative claims database noted above.

Such data verification steps actually occur at regular points throughout the premium development process in order to maintain comfort that the premium development process used is optimal for the State and the level of data detail provided.



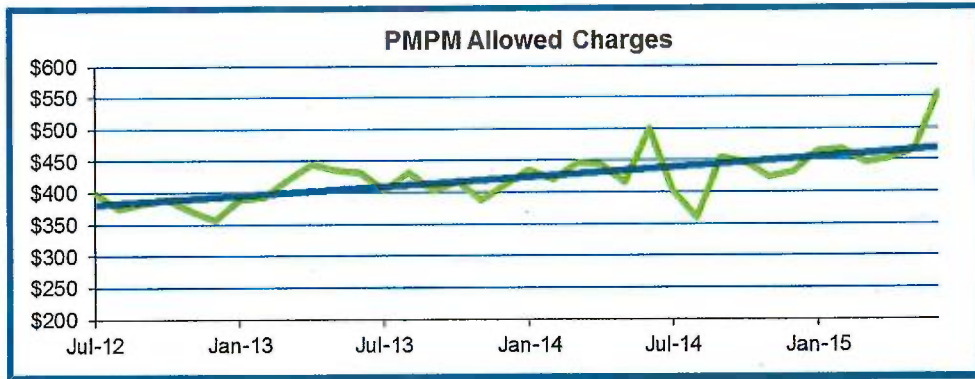
**Step 3 – Baseline cost data:** The baseline data will be developed from historical claims data, encounter/financial data or a combination of the two. This data will be validated at a high level and reviewed for accuracy, completeness, and applicability to the rate setting process. Deloitte has found that the development of baseline claims cost data on a monthly basis provides the best level of detail by which interim analyses can be made related to:

- Monthly variations of claims experience in order to develop time-series patterns related to seasonality (e.g., high-deductible plans are expected to much lower than average claims in the first few months of the plan year, with the amounts increasing each month thereafter until the end of the plan year). An example of such an analysis is below:



- Such time series seasonality analyses assist in identifying claims volatility during the year.
- Details analyses of historical experience trend rates based on the monthly experience can be derived from exponential regression analyses. In the example below, over a 6-year period claims exhibited an average 5.0% trend rate.

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Building an understanding of the historic trend experience for the State becomes a key metric to be considered in the development of a prospective trend assumption for premium development purposes (discussed more below in Step 6). Deloitte evaluates trend based upon two components: the change in the use of medical services (utilization trend) and the change in the unit cost of medical services (unit cost trend). The combination of these reflects the above allowed charge analysis, though each can be easily analyzed separately. Similarly, we develop future trend assumptions on a service category basis. We use the information compiled in our historical trend assumption evaluation above, as well as Deloitte Consulting's industry knowledge to estimate utilization trend. An outlier analysis will be performed to assess the impact that large claimants had on prior claims experience.

**Step 4 – Data completion:** The baseline cost data will be completed using the Deloitte Consulting proprietary incurred but not reported (IBNR) actuarial valuation model. This model uses a completion factor development method of calculating claim liabilities, and allows the results to be varied for trend as well as manually adjusted for irregular payment or utilization patterns. Our model accepts input from a variety of different data formats, and prepares a series of reports to give our actuaries an understanding of the sensitivity of the results. Based on these results, our actuaries can determine and input appropriate adjustments to the results and assess their impact on the reserve estimates. The model also provides recast estimates for historical reserve levels. The ability to determine appropriate adjustments to account for unusual claim patterns is especially useful for calculating the reserves for the State's claim costs.

This IBNR actuarial valuation model can also be used to establish estimates of the State's IBNR reserves for financial reporting purposes.

**Step 5 – Data Adjustments:** Baseline data will be adjusted to reflect historic changes to the plans, and prospective known or anticipated changes to the plans, cost savings projections within each of the plan options. These changes will be to bring the historic costs to cost levels expected under the program in the rating year, and typically reflect analyses related to such factors as (but not limited too):

- Plan design changes, including those dictated under the Affordable Care Act (ACA) (or any replacement health reform requirements that may emerge under the Trump Administration) and any changes to mandated benefits that may apply to self-insured plans;
- Negotiated provider discount changes and future changes in provider reimbursement, as known by the State's claims payer;
- Demographic and population changes;

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- Geographic changes in coverage; and
- Prescription drug rebate arrangements (which often add additional layers of subjectivity given the long delay between incurred dates for utilization and disposition of the market share and utilization rate rebate components).

The expected financial impact of plan design changes are assessed per the Deloitte Medical Rate Model which covers both medical and pharmacy benefit designs, and is based on over 40 million active/non-Medicare retiree claims records and seven million Medicare retiree claims records, updated annually. This model allows for handling of detailed plan design provisions and can produce plan relativities and cost change impacts based on even subtle plan design changes. The Deloitte Medical Rate Model provides relative values, minimum values (under health reform large group plans), actuarial values (under health reform small group plans) at the coverage tier level (e.g., single coverage, family coverage, or blended average coverage) as well as monthly premium rates for the input plan design. Results can be tailored to show variations in relative value and cost by age/gender subsets, location, and active versus retiree groups. Separate Deloitte rate models are also available for dental, vision, and stop-loss benefits.

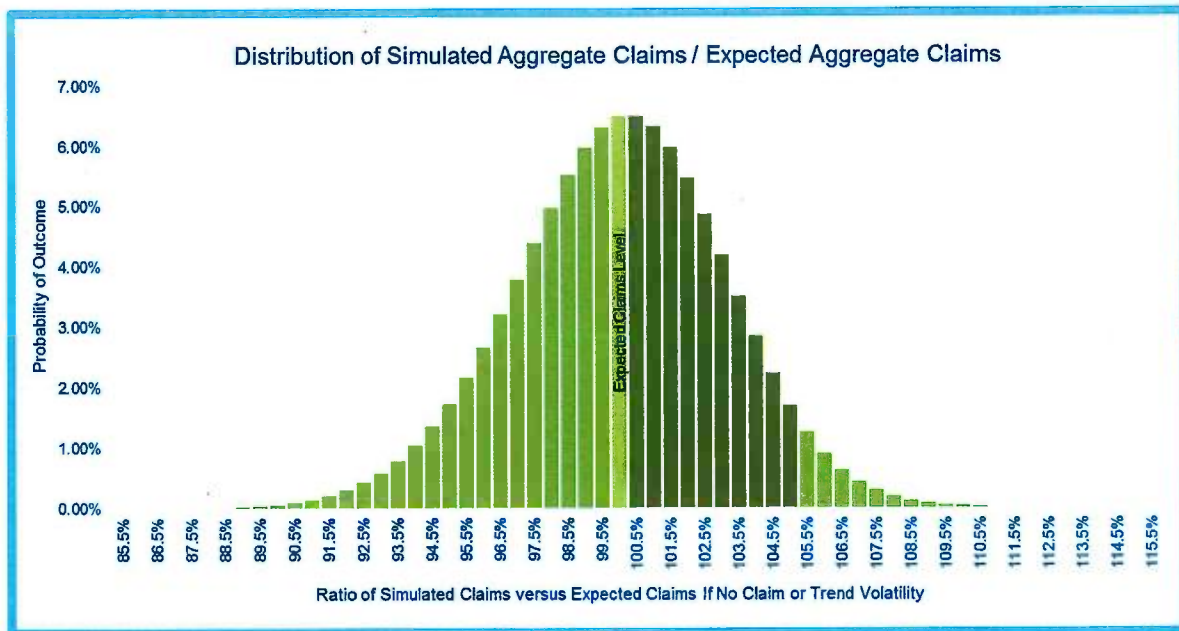
**Step 6 – Large Claims:** Any development of expected prospective claims levels based on historic claims experience will always be influenced by the extent to which historic claims volatility in the form of large claims are present in the experience. All groups will have claims experience that includes some level of large claims (either more than what would otherwise be actuarially expected, or less than what would otherwise be expected).

The Deloitte rate development methodology recognizes this by adjusting the claims experience by removing actual large claims and substituting expected levels of large claims (per the Deloitte large claims analysis model) to eliminate the inherent large claims volatility that always exists in historic claims experience. Thus, the volatility associated with large claims that adversely impacts claims projections is addressed.

**Step 7 – Trend:** Prospective trend assumptions will be developed for separate plans where appropriate. However, data used to develop these trends may be aggregated to adjust for less credible populations. Where appropriate, we will integrate program data with benchmark information or other data to develop the appropriate trend projections. Least squares regression or rolling average techniques may also be used for this analysis. Historic claims trend experience (as noted in Step 3, above) can be paired with prospective trend expectations per the annual Deloitte trend survey of health insurers to develop mutually acceptable prospective trend assumptions for premium rate claims projection purposes.

An additional component that can be added to the trend assumption development process is a sensitivity test around the trend assumption. This sensitivity test is typically coupled with a claims volatility simulation to assess the range of claims outcomes that could occur. In the sample analysis below (which will vary based on the size of the covered population and the type and amount, if any, of stop-loss coverage in place), the best estimate projected claims per the trend assumption and population size was compared against a probability distribution of claims and trend volatility. Such an analysis provides guidance in the event that the self-insured premium rates are intended to include a reasonable (i.e., defensible) margin to hedge against adverse claims and trend experience.





**Step 8 – Administrative Fees:** Where necessary, fixed and variable costs will be added to the rates to adjust for the administrative costs and any additional costs to be covered by the premiums collected. Such fixed and variable costs include claims processing fees, network access fees, fiduciary charges, disease management and case management program fees (which usually must be separately analyzed to convert from per case costs to per employee per month costs), per script pharmacy admin fees and dispensing fees, etc. (the list depends on the array of contracted services between the State and the insurer/TPA/PBM).

Finally, any “soft” administrative costs that the State intends to include in the self-insured premium rates are developed. These “soft” costs can include, for example:

- Internal State human resource benefit staff salary and benefit costs related to the delivery of benefits to the State employees;
- Adjustments to reduce prior year surpluses or fund deficits;
- Margins to cover FSA and/or HSA administrator costs, if any;
- Wellness program incentive program costs.

Efficiently and smoothly transitioning the rate setting process to Deloitte Consulting will involve a collaborative effort between Deloitte Consulting and the State. It is essential that the State maintain an appropriate level of consistency in the rate setting process during the transition, while successfully integrating strategically important changes as suggested by Deloitte Consulting. With rate setting, this balance will be especially critical due to the constituencies impacted by these potential changes in methodology and the potential financial impact of suggested changes.



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In the initial year, Deloitte Consulting will begin the rate setting process by reviewing the methodologies, data and assumptions currently being employed by the State, its administrators, and consultants. By developing a thorough understanding of the State's current rate setting processes, Deloitte Consulting will be able to identify potential enhancements of the process or assumptions, and will know how to simply replicate the process (with updated assumptions) should the State choose. After the initial assessment and review of the current processes, Deloitte Consulting will meet with the State to share their findings, suggest modifications to the process, and offer a high level impact assessment of these modifications.

# 1. Project Task #1

## RFP Reference: Section IV B. Task #1 - Premium Rate Development

### b. Required Submission

- (2) The number of individuals per title and total number of hours per title using the Position Titles set forth in RFP Section V – Assumption #6 in your work plan. Please note that the project total number of hours per Position Title per year as set forth in the Offeror's work plan must match the total number of hours per Position Title per year as set forth in the Offeror's Exhibit V.A Form 1 submission.

To complete the Task 1 services, we anticipate needing the following staff resources for the hours outlined below.

Level	Year 1	Year 2	Year 3	Year 4	Year 5
Principal					
Lead Consultant					
Consultant					
Analyst					
Total					

## RFP Reference: Section IV B. Task #1 - Premium Rate Development

### b. Required Submission

- (3) A timeline with specified start dates based on number of Business Days, of the major milestones and interim activities for completion of the Task and related activities (e.g. attendance at meetings with the vendors).

Our approach to the rate development process combines our strong public sector actuarial expertise with a focus on actuarial methodology and expertise. The following table describes our timeline for the proposed rate development process.

**RFP Reference: Section IV B. Task #1 - Premium Rate Development**

**b. Required Submission**

- (4) A description of the steps the Offeror will take to ensure that due dates and deadlines for Task #1 are met

our proposed Lead Project Manager will coordinate the work and oversee the deliverables. We will monitor progress against our agreed-upon timeline and deliverables. We will incorporate the Task 1 services into our weekly conference calls with the Department and keep the Department apprised of our progress, and risks and any issues. If risks to the timeline are identified, will work with and the Department to address and resolve these risks, including leveraging additional resources as needed.

**RFP Reference: Section IV B. Task #1 - Premium Rate Development**

**b. Required Submission**

- (5) A description of the quality assurance process to be used to ensure Task #1 reports, documents and services are complete, accurate and of the quality required by the Department.

We believe our quality and peer review process is market-leading. To enable us to provide very high quality services, we have established a rigorous quality assurance program, with four key components:

**Professional standards review** — We abide by all professional actuarial standards established by the U.S. and global actuarial associations. All work products and deliverables receive a professional standards review that complies with Deloitte Consulting's strict quality standards. Our actuarial services include three levels of review in which each stage of actuarial results development goes through an initial check, a final review, and then a comprehensive peer review before results are released to clients. Final actuarial work is signed off by a Firm Actuary, which is a particular designation of authority and responsibility.

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**Commitment to training and specialization** — The most critical aspect of quality control is professionals who possess a high level of technical competency and who fully understand their professional responsibilities. Our practitioners benefit from an outstanding professional education program which includes annual continuing education opportunities for all principals, managing directors and staff. Many of our practitioners also hold certifications such as Certified Employee Benefit Specialist (CEBS) and Fellow of the Society of Actuaries (FSA), as well as required actuarial and other continuing education requirements.

**Practice reviews** — On a triennial basis, our Office of Chief Actuary (OCA) conducts rigorous reviews of every Deloitte Consulting office to confirm each client team maintains compliance with internal quality control procedures. Our individual performance reviews heavily reflect the results of these reviews.

**Privacy and data security training** — All client service practitioners complete regular training and testing on matters of confidentiality and data security that are important not only to our own organization, but to our clients as well.

**Client service standards** — Service standards are used to monitor and evaluate the service quality provided to each client. These standards embody our belief in setting measurable client service objectives, and then asking our clients how well these objectives are achieved and exceeded. Each professional's annual evaluation is based on client service quality.

Quality control of Deloitte Consulting's actuarial reports is monitored by Deloitte's Office of the Chief Actuary, which is comprised of four senior firm actuaries (one each representing pension, health, casualty, and life actuaries) responsible for overseeing the actuarial practice and setting guidelines so that we maintain high quality actuarial service standards.

#### RFP Reference: Section IV B. Task #1 - Premium Rate Development

**b. Required Submission**

**(6) A detailed description that illustrates how you will independently project experience and premium requirements for each of the Empire Plan Vendors.**

Our response to sub-task b (1) above provides a detailed description of the steps, factors, and required resources in order to independently project premium requirements and review the vendors' rate proposals. The steps are summarized below:

- Step 1 – Data collection
- Step 2 – Data verification/ validation
- Step 3 – Establish baseline cost data
- Step 4 – Data completion
- Step 5 – Data adjustments
- Step 6 – Large claims



- Step 7 – Trend
- Step 8 – Administrative fees

**RFP Reference: Section IV B. Task #1 - Premium Rate Development**

b. Required Submission

(7) An example of a Final Report and Recommendations of Plan Funding Requirements.

An example of a Final Report and Recommendations of Plan Funding Requirements can be found in Appendix C of the Technical Proposal.

## 2. Project Task #2

### RFP Reference: Section IV B. Task #2 – Quarterly Analysis

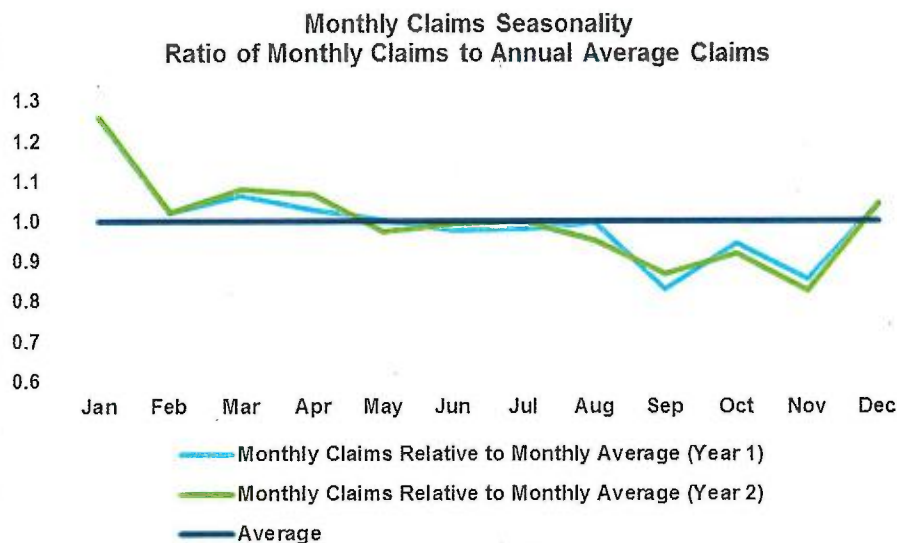
#### b. Required Submission

##### (1) A detailed description of the steps, factors, and required staff resources

Once prospective premium equivalents, accrual rates, and budget rates have been set, then emerging plan experience as reported by the vendors is used to monitor actual experience against projections. These vendor reports form the data source basis for ongoing monitoring of plan performance, inclusive of cost trends (i.e., cost inflation), utilization trends, and network performance (e.g., in-network utilization, hospital admission and readmission rates, average discounts, etc.).

Because monthly claims experience is expected to differ due to seasonality, any comparison of the experience provided in actual vendor monthly reports against projected costs will need to be normalized for such seasonality.

An example of such claims seasonality is provided below (based on a sample January 1 plan year start).



Actual claims experience reported for January is expected to be (in this example) significantly higher than the premium rate/accrual rate average. Adjusting for such seasonality helps demonstrate a comparison between real experience and adjusted point-in-time expectations. This approach forms the basis for Deloitte's ongoing monitoring of experience.

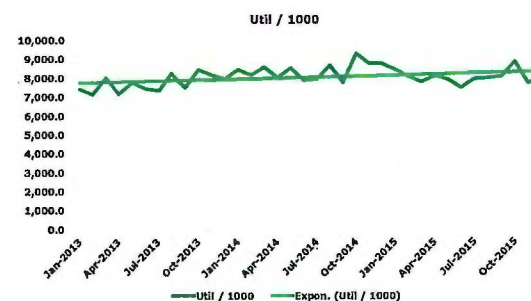
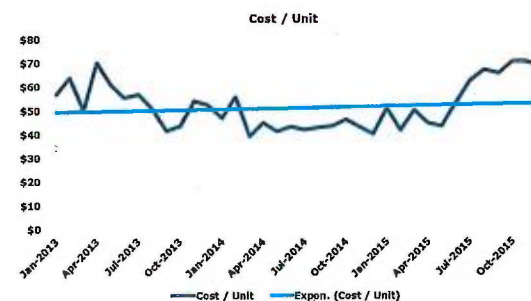
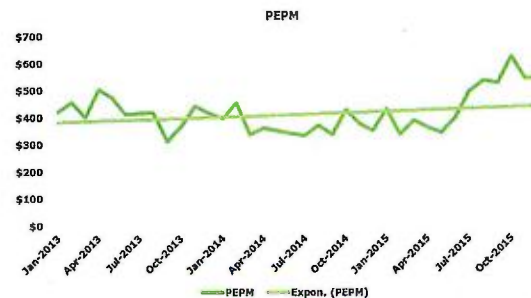
When evaluating experience-based cost trends and utilization, Deloitte makes use of many of its sophisticated array of analytic tools. By reviewing monthly experience over an extended period of time (ideally 3+ years), historic trend patterns can be analyzed using several exponential regression approaches to isolate trend experience:

- Per employee per month (PEPM) costs, which consist of
- Cost per unit of service
- Utilization of services per 1,000 covered lives

These analyses, when coupled with a detailed review of the evolution of the mix of services provided over time, allow for a significant level of analytic detail and understanding in experience monitoring, and allow Deloitte to assist in developing strategies for addressing unwanted utilization changes, cost per unit of service changes, and managed care network performance.

The levels of analyses that are possible are only limited by the level of data detail either provided directly by the vendors, or provided via access to a data-populated data warehouse (the latter typically allowing for the greatest level of detail and flexibility in performing analyses and monitoring vendor experience).

Deloitte's actuarial team will utilize the tools and methodologies discussed above in addition to any of the numerous other resources and tools available to analyze emerging plan experience during the two quarterly reporting processes. We will summarize the emerging data, update rate projections based on the new data and any changes in expected trends, utilization, regulation, etc. and evaluate prior rate projections while comparing emerging experience to current budget. This process will also allow the Deloitte and the State to update projections for the coming year based on the latest information and assumptions.







**RFP Reference: Section IV B. Task #2 – Quarterly Analysis****c. Required Submission**

- (4) A description of the steps the Offeror will take to ensure that due dates and deadlines for Task #2 are met.

our proposed Lead Project Manager will coordinate the work and oversee the deliverables. We will monitor progress against our agreed-upon timeline and deliverables. We will incorporate the Task 2 services into our weekly conference calls with the Department and keep the Department apprised of our progress, and risks and any issues. If risks to the timeline are identified, will work with and the Department to address and resolve these risks, including leveraging additional resources as needed.

**RFP Reference: Section IV B. Task #2 – Quarterly Analysis****b. Required Submission**

- (5) A description of the quality assurance process used to ensure Task #2 reports, documents and services are complete, accurate and of the quality required by the Department.

We believe our quality and peer review process is market-leading. To enable us to provide very high quality services, we have established a rigorous quality assurance program, with four key components:

**Professional standards review** — We abide by all professional actuarial standards established by the U.S. and global actuarial associations. All work products and deliverables receive a professional standards review that complies with Deloitte Consulting's strict quality standards. Our actuarial services include three levels of review in which each stage of actuarial results development goes through an initial check, a final review, and then a comprehensive peer review before results are released to clients. Final actuarial work is signed off by a Firm Actuary, which is a particular designation of authority and responsibility.

**Commitment to training and specialization** — The most critical aspect of quality control is professionals who possess a high level of technical competency and who fully understand their professional responsibilities. Our practitioners benefit from an outstanding professional education program which includes annual continuing education opportunities for all principals, managing directors and staff. Many of our practitioners also hold certifications such as Certified Employee Benefit Specialist (CEBS) and Fellow of the Society of Actuaries (FSA), as well as required actuarial and other continuing education requirements.

**Practice reviews** — On a triennial basis, our Office of Chief Actuary (OCA) conducts rigorous reviews of every Deloitte Consulting office to confirm each client team maintains compliance with internal quality control procedures. Our individual performance reviews heavily reflect the results of these reviews.

**Privacy and data security training** — All client service practitioners complete regular training and testing on matters of confidentiality and data security that are important not only to our own organization, but to our clients as well.

**Client service standards** — Service standards are used to monitor and evaluate the service quality provided to each client. These standards embody our belief in setting measurable client service objectives, and then

asking our clients how well these objectives are achieved and exceeded. Each professional's annual evaluation is based on client service quality.

Quality control of Deloitte Consulting's actuarial reports is monitored by Deloitte's Office of the Chief Actuary, which is comprised of four senior firm actuaries (one each representing pension, health, casualty, and life actuaries) responsible for overseeing the actuarial practice and setting guidelines so that we maintain high quality actuarial service standards.

#### RFP Reference: Section IV B. Task #2 – Quarterly Analysis

b. Required Submission

- (6) A comprehensive outline of the information to be provided in the "Benefits Management Consultant Review of Empire Plan Vendors' Quarterly Reports" for each of the Empire Plan vendors, and a justification for inclusion of each of the subject areas.

Deloitte will review with the Department what information is necessary and/or desired to be included in the quarterly reports and develop a methodology to efficiently and effectively provide the information in succinct exhibits and narrative. While we have vast expertise and tools at our disposal, our team prides itself on keeping the goals of the client in mind and tailoring any analysis to meet those goals. Based on the information and instructions included in the RFP the following is a sample list of possible data/information to be included in the Task 2 reports:

- Summary of emerging monthly claims including analysis of large claims
- Summary of enrollment and enrollment changes
- Analysis of updated historical trend for the program compared to emerging market trend data
- Comparison/reconciliation of current year rates to emerging experience (budget tracking)
- Analysis of reserve levels
- Updated IBNR estimates (optional)
- Analysis of current and subsequent year rate projections provided by vendors
- Updated independent projection of remainder of current plan year and subsequent plan year rates.



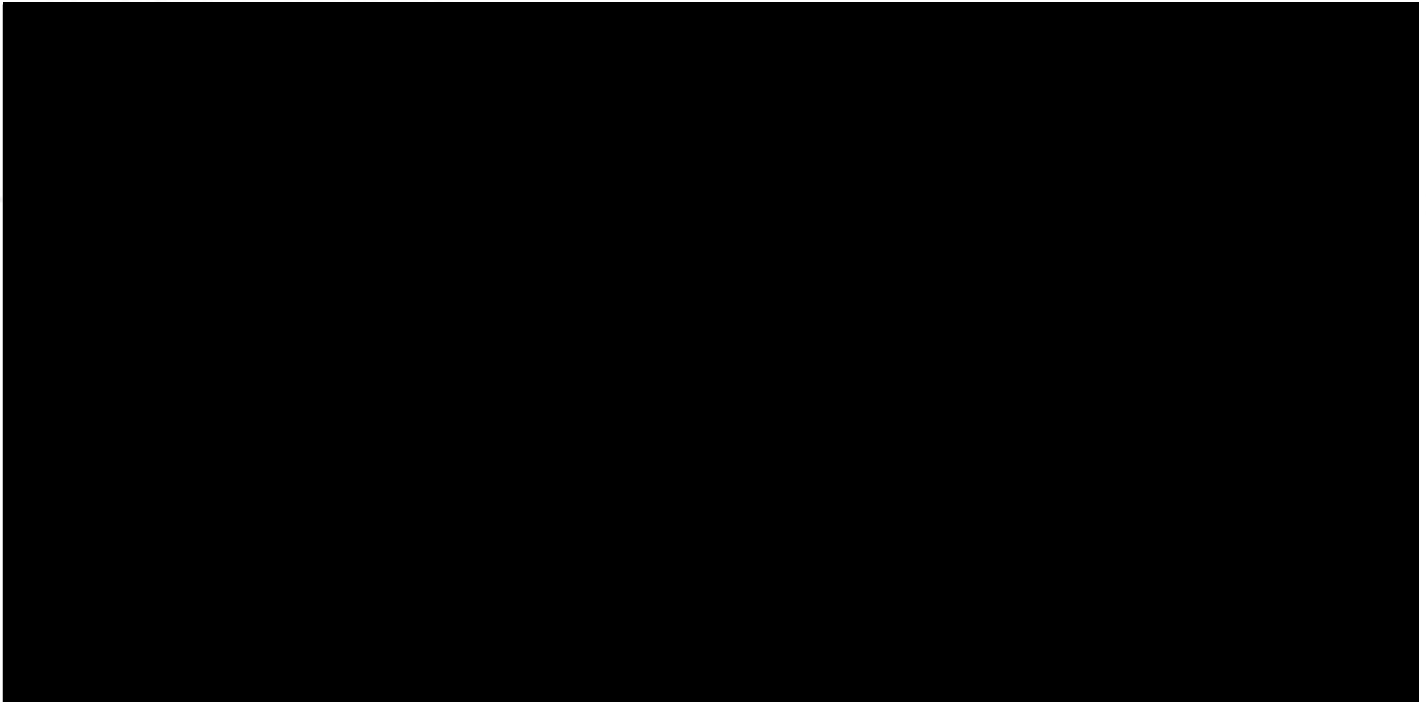
### 3. Project Task #3

#### RFP Reference: Section IV B. Task #3 – GASB 75 Valuation

b. Required Submission

- (1) Describe the Offeror's prior experience in providing GASB 75 valuation and reporting services for other governmental organizations. The Offeror should demonstrate its understanding of the scope and purpose of the project in its response.

The proposed team has worked on many public sector clients providing retiree medical consulting including GASB No. 45 valuations and GASB No. 75 implementation and transition. Below are details of some of the recent projects we have completed.



#### RFP Reference: Section IV B. Task #3 – GASB 75 Valuation

b. Required Submission

- (2) Submit two work plans which outline the proposed process to be followed in order to deliver Task #3 Project Services as set forth in the Duties and Responsibilities above. The first work plan should clearly identify the steps related to the actuarial valuation component of the Task (i.e., Valuation). Both work plans should include: [RFP amended to only request the valuation work plan]
  - a) A detailed description of the steps, factors, required staff resources.
  - b) The number of individuals per title and total number of hours per title using the Position Titles set forth in RFP Section V – Assumption #6 in your work plan. Please note that the projected total number of hours per Position Title per year as set forth in the Offeror's work plan must

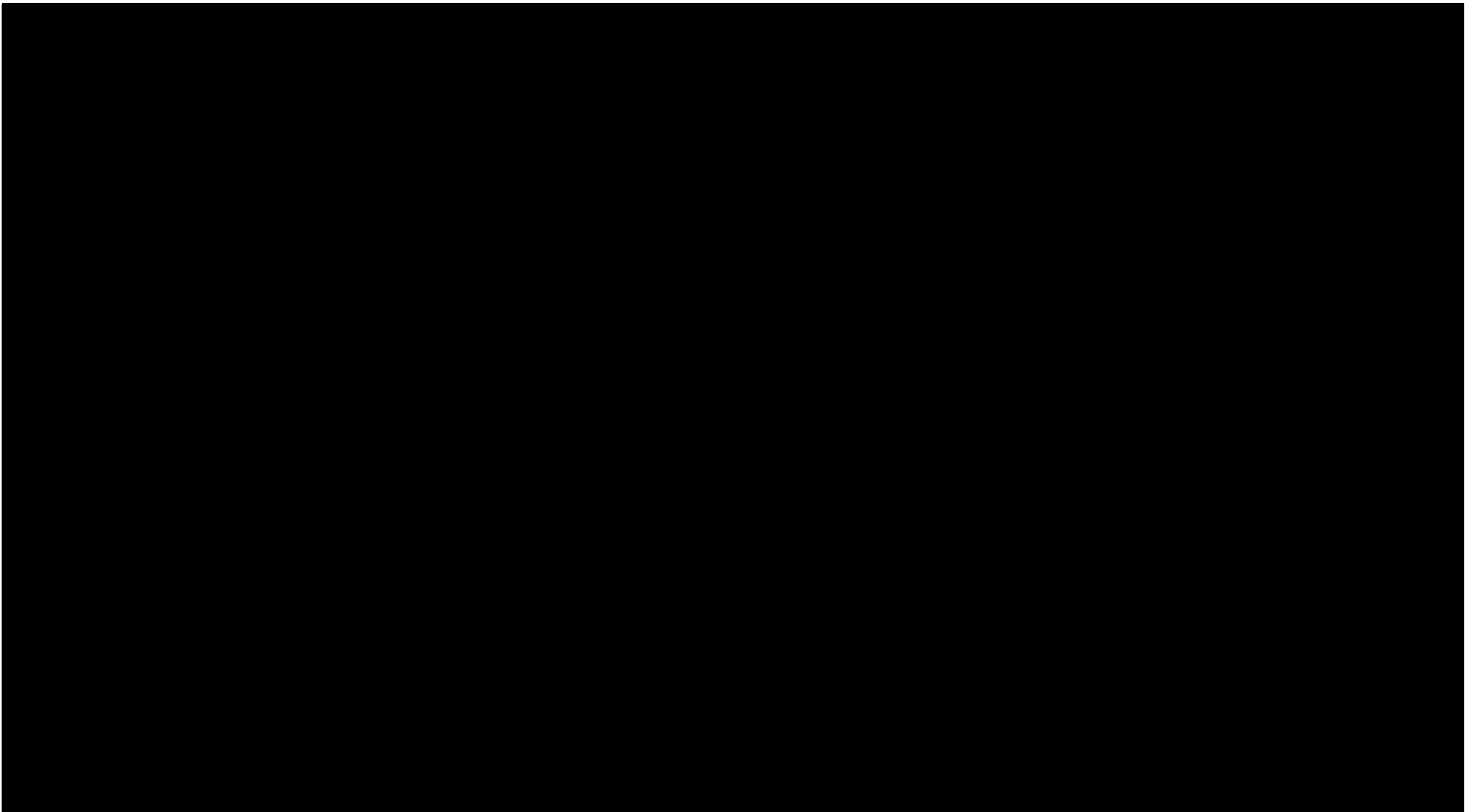
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match the total number of hours per Position Title per year as set forth in the Offeror's Exhibit V.A, Form 3 submission.

- c) Any added assumptions, including justification of those assumptions.
- d) A timeline with specified start dates based on number of Business Days, of the major milestones and interim activities for completion of the Task and related activities.
- e) A description of the steps the Offeror will take to ensure that due dates and deadlines for Task #3 are met; and
- f) A description of the quality assurance process to be used to ensure Task #3 reports, documents and services are complete, accurate and of the quality required by the Department.

Our approach to the valuation process combines our strong public sector actuarial expertise with a focus on accounting and strategy. The following table describes our approach for the OPEB actuarial valuation services in the RFP.

Following the table is a more detailed explanation of our comprehensive approach.



\*Support for Department could include, but is not limited to, responding to requests for information from DOB, SUNY, and / or OSC, preparation for legislative testimony, and responding to questions on completed valuation(s) posed by auditors contracted to audit NYS' financial records.

Deloitte will leverage the outlined timing in all future years of the contract, and adjust as needed based input from the Department and based on lessons learned from the initial year of the contract.

### Transition (2018)

In the first year of the contract, we will begin the transition of the GASB 75 valuation. As such, we recommend having an engagement kick-off meeting in January so we can start preparing for the April 1, 2018 valuation. The agenda at this meeting will include:

- Establish secure transition data room to facilitate and organize information collection
- Establish communication channels and methods (e.g., biweekly status reports)
- Confirm timeline and expectations
- Develop and issue final data requests

Once the data from the most recent valuation is obtained, we will complete a review of the following:

- Review prior actuarial reports for assumptions and methodology
- Review source plan documentation
- Review incumbent's actuarial databases and compare to prior actuarial valuation reports

Once our data assessment and analysis is complete, we will develop our actuarial valuation results. We will then compare these results to the incumbent's results, ensuring that our results match within a reasonable threshold. Key activities in this phase include:

- Program valuation modeling software
- Review and finalize Deloitte Consulting results
- Reconcile Deloitte Consulting results to the incumbent's results

Once we are comfortable that we understand the plan and that we match the incumbent's valuation results, we can successfully begin the first year's valuation in June of 2018.

### Step 1: Kick off Meeting

We will schedule a kick off meeting with the appropriate staff at the Department and will use the following agenda as a basic guideline:

- Discuss detailed work plan
- Discuss the consultant communication plan



- Establish work liaisons
- Review recent plan changes
- Discuss basis for assumptions
- Address other concerns as appropriate

### **Step 2: Data Collection and Reconciliation**

We will send a comprehensive data request asking for specific census and claims information regarding active employees, terminated employees with deferred benefits, and current retirees. We will check the data for internal consistency and reasonableness. We will provide a reconciliation of the annual changes in the data for the Department to confirm appropriateness of the results. We will ask questions surrounding any inconsistencies that might arise.

### **Step 3: Determination of Appropriate Methods and Assumptions**

We will work with the Department and the auditors to determine the appropriate methods and assumptions to be used in performing the actuarial valuations. The following procedures will be carried out to determine the proper actuarial methods, asset valuation method, amortization method and key assumptions for the valuation based on applicable accounting and actuarial standards.

#### **Actuarial Cost Method**

GASB 75 standards require plans to be valued using the Entry Age Normal – Level Percent of Pay cost method. This will be a change for the Department, which will impact the plan's liabilities. Entry Age Normal splits costs evenly, from the date of entry into the plan to the normal retirement date.

#### **Asset Method**

GASB 75 standards require plans to use the fair market value of assets, if any, as of the measurement date.

#### **Amortization Method**

GASB 75 requires plans to use an amortization period that reflects the expected working lifetime for experience and assumption changes and five years for asset gains and losses.

#### **Assumption Setting**

To the extent historical experience is available, we will analyze that experience to help set assumptions or confirm that appropriate assumptions are in place. In completing assumption setting for other public sector clients, we have also incorporated assumptions used to value public sector pension plans, such as applicable government retirement systems or public employees' retirement associations, since these plans have accumulated many years of experience on demographic and economic changes for public sector employees.

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We will work with the Department's team to review claims cost and medical trend assumptions along with current contribution strategies and benefit designs, all of which have a significant impact on the results of the assessment.

We will consult with the appropriate Department team members to determine whether the non-financial assumptions appear appropriate and use their input to fine-tune the assumptions. We will consult with the Department's financial officers to determine a discount rate that is appropriate to value the liabilities. As required by GASB 75, the discount rate will be based on a blend of an acceptable 20-year bond index, to the extent the plan is not funded, and the long-term expected rate of return on investments to the extent trust assets exist. The final assumptions selected will be submitted to the Department in a letter to receive written approval for their use in the actuarial valuations.

Conference calls can be set up, as necessary, to discuss progress and any concerns or issues.

#### Step 4: Actuarial Valuations

Once all data has been received and assumptions have been set, we will value the liabilities and produce the requested reports. The results will include, but not be limited to, the following:

- Total OPEB Liability, Plan Fiduciary Net Position, Net OPEB Liability, Covered Payroll, OPEB Expense, and Plan Participation Statistics
- Other computations required by GASB No. 75
- A summary of plan provisions valued
- A listing of material assumptions

Deloitte Consulting is committed to quality, a shared value fundamental to achieving our mission: To help our clients and people excel. To that end, we have established client service standards and quality control policies and procedures designed and implemented to ensure that we meet and exceed our own performance standards and those of our profession. These client service standards will be utilized in completing the Department's GASB 75 valuations. Our actuaries are consultants and the assigned team is focused on the public sector. They are committed to delivering pension fundamentals in a clear, concise manner that is well received and respected by audiences of diverse and non-technical backgrounds. Furthermore, [REDACTED] the managing actuary proposed for this engagement, has outstanding presentation and consulting skills with proven ability to think on his feet. [REDACTED] has spent the past 20 years focused on consulting with governmental entities on pension, retiree health, duty disability, retiree life insurance, and other benefits, and has testified to governmental bodies and provided expert witness testimony on a range of retirement benefit topics. He has also delivered trainings on GASB 67, 68, 74, and 75 at auditor conferences and to individual systems and employers. More information about [REDACTED] qualifications can be found later in this proposal.

Leadership review, during a client project and before any report, letter, or document containing recommendations or financial data is delivered, is a professional mandate and an integral part of our approach to consulting.

When necessary, progress conference will be held to discuss status or any concerns and issues.

### Step 5: Development of Report and Related Information

After the completion of the assessment, a draft report will be prepared.

Concurrent with the development of the report and any other necessary material for the Department's Comprehensive Annual Financial Reports (CAFRs), we will perform the following requested analysis based on the completed data and actuarial valuation:

- Prepare the necessary material for the Department's CAFRs to comply with OPEB reporting and disclosure requirements.
- Provide up to three different projections of future employer expense and liabilities based upon alternative assumptions for investment rate of return, health care trend rate, employer and employee contributions, and discount rate, etc.
- Prepare other cash flow (including a pay as you go cost analysis) and expense projection estimates of requested financial impacts to the Department.
- Prepare a solvency test at current CAFR and projected dates.

When necessary, progress conference will be held to discuss status or any concerns and issues.

### Step 6: Results Meeting and Finalization of Reports

After the draft report and other requested analyses have been completed, we will present the deliverables to the Department during a results meeting. We will review the draft report with the Department. We will use this opportunity to explain to the Department the overall results and the impact of any changes from the prior valuation. We will address any questions or comments. Once consensus is reached, final reports will be produced. In addition, we will review with the Department the significant findings from our analysis on the projections of liability, expenses and cash flows, and solvency test. We will explain the implications of the results as well as provide recommendations on managing the liability and expenses and on potential changes to the plan design.

Following the results meeting, we will finalize the assumptions reports by April 30<sup>th</sup> and the GASB 75 report by May 31<sup>st</sup> during each year of the contract.



### Required Staff Resources

To complete the annual GASB 75 valuation and corresponding assumption reports, we anticipate needing the following staff resources for the hours outlined below.

Level	Year 1	Year 2	Year 3	Year 4
Principal				
Lead Consultant				
Consultant				
Analyst				
Total				

Hours are expected to be higher in Year 1 due to the transition from the incumbent.

We are committed to meeting the Department's deadlines, and will manage the GASB 75 valuations to the times outlined in our work plan. One of our team members will be tasked with managing to our work plan, and to the extent that there are issues with timing, we will notify the Department and will schedule status meetings or calls if there are any issues so that we can ultimately deliver the GASB 75 valuations in a timely manner.

#### RFP Reference: Section IV B. Task #3 – GASB 75 Valuation

##### b. Required Submission

- (3) The Offeror should provide a comprehensive outline of the information to be provided in the "New York State/State University of New York GASB 75 Postemployment Healthcare Benefits Actuarial Valuation" report, including an explanation of each of the subject areas to be included in the document.

Deloitte's standard GASB75 reports include the following information:

- Schedule of Changes in Net OPEB Liability: this exhibit will include a reconciliation of the total OPEB liability from the prior fiscal year to the current fiscal year. Additionally, the exhibit will show sensitivity of changes to the discount rate and trend rates.
- Schedule of Deferred Outflows and Deferred Inflows of Resources: this exhibit will show the schedule of deferred outflows and inflows, the years remaining of the inflow or outflow, and the amount recognized during the current fiscal year. The exhibit will also show the deferred outflows and inflows for future fiscal years.
- Development of Fiscal Year Expense: this exhibit will show the development of the current fiscal year's expense.
- Component Unit Results: this exhibit will show the proportionate share of the net OPEB liability, sensitivity of net OPEB liability, deferred outflows and deferred inflows, and OPEB expense. It will also show the change in proportionate share and a reconciliation of the net OPEB liability by component unit.



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- Summary of Demographic Information: this exhibit will show the participant counts and average age and service (only for active participants) broken out for active participants, terminated vested participants, and retirees and dependents.
- Program Provisions Summary: this summary will describe the plan features that were utilized to value the plan's liabilities. Features include but are not limited to plan eligibility, medical plan benefit provisions, contribution policy, and Medicare reimbursement information.
- Actuarial Methods: this summary will describe the actuarial cost method used to value the plan's liabilities, the source of financial and census data, and the measurement date.
- Actuarial Assumptions: this summary will describe the assumptions utilized to value the plan's liabilities. Assumptions include but are not limited to the discount rate, medical inflation, mortality assumptions, termination and retirement rates, medical plan costs, and plan participation rates.

**RFP Reference: Section IV B. Task #3 – GASB 75 Valuation**

b. Required Submission

- (4) The Offeror should confirm its ability to produce a modified version of the NYS/SUNY actuarial assumptions report as required for distribution to NYSHIP PEs and PAs.

We are able to prepare separate assumption reports for NYSHIP PEs and PAs by the requested due dates.

## 4. Project Task #4

### RFP Reference: Section IV B. Task #4 – Ad Hoc Consulting Services

#### b. Required Submission

- (1) A description of the proposed process by which the Offeror will plan, complete and report back to the Department on Ad Hoc projects

When the Department has need of an ad hoc service, we will act quickly to set up time with the Department to discuss and fully-understand the Department's needs. We will then take the following actions:

1. Determine our proposed approach and deliverables to meet the Department's needed
2. Evaluate the available resources and calculate the cost associated with completing these tasks
3. Discuss #1 and #2 above with the Department to ensure we are aligned with respect to approach, timing, end products and fees. If not, we will adjust as needed. If so, we will follow the Department's administrative guidelines for performing ad hoc work. If these guidelines require a written change order or statement of work, we will quickly prepare such a document. If instead, an email interchange that memorializes the above approach and fees is satisfactory, we can take that approach. In either event, Deloitte Consulting recognizes that sometimes ad hoc projects may be of an urgent nature. In these cases, we are happy to begin work immediately while we confirm and finalize the approach and fees with the Department.
4. Upon completion of the ad hoc work, we will share the results with the Department and seek to understand if additional work or analysis may be required.

### RFP Reference: Section IV B. Task #4 – Ad Hoc Consulting Services

#### b. Required Submission

- (2) A description of the steps the Offeror will take to ensure that due dates and deadlines for the required ad hoc deliverables are met, including how the Offeror will ensure that this process meets the time constraints and specialized needs of the Department

The process for performing ad hoc work according to an agreed upon process and timeline is managed no differently than how we will approach the tasks set forth in this RFP. [REDACTED] Our proposed Lead Project Manager will coordinate the work and oversee the deliverables. We will monitor progress against our agreed-upon timeline and deliverables. We will incorporate the ad hoc work into our weekly conference calls with the Department and keep the Department apprised of our progress, and risks and any issues.

### RFP Reference: Section IV B. Task #4 – Ad Hoc Consulting Services

#### b. Required Submission

- (3) A description of the quality assurance process to be used to ensure requested Ad Hoc reports, documents and services are complete, accurate and of the quality required by the Department.

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The quality assurance process that we will employ for ad hoc work is the same as that used for planned tasks. We believe our quality and peer review process is market-leading. To enable us to provide very high quality services, we have established a rigorous quality assurance program, with four key components:

**Professional standards review** — We abide by all professional actuarial standards established by the U.S. and global actuarial associations. All work products and deliverables receive a professional standards review that complies with Deloitte Consulting's strict quality standards. Our actuarial services include three levels of review in which each stage of actuarial results development goes through an initial check, a final review, and then a comprehensive peer review before results are released to clients. Final actuarial work is signed off by a Firm Actuary, which is a particular designation of authority and responsibility.

**Commitment to training and specialization** — The most critical aspect of quality control is professionals who possess a high level of technical competency and who fully understand their professional responsibilities. Our practitioners benefit from an outstanding professional education program which includes annual continuing education opportunities for all principals, managing directors and staff. Many of our practitioners also hold certifications such as Certified Employee Benefit Specialist (CEBS) and Fellow of the Society of Actuaries (FSA), as well as required actuarial and other continuing education requirements.

**Practice reviews** — On a triennial basis, our Office of Chief Actuary (OCA) conducts rigorous reviews of every Deloitte Consulting office to confirm each client team maintains compliance with internal quality control procedures. Our individual performance reviews heavily reflect the results of these reviews.

**Privacy and data security training** — All client service practitioners complete regular training and testing on matters of confidentiality and data security that are important not only to our own organization, but to our clients as well.

**Client service standards** — Service standards are used to monitor and evaluate the service quality provided to each client. These standards embody our belief in setting measurable client service objectives, and then asking our clients how well these objectives are achieved and exceeded. Each professional's annual evaluation is based on client service quality.

Quality control of Deloitte Consulting's actuarial reports is monitored by Deloitte's Office of the Chief Actuary, which is comprised of four senior firm actuaries (one each representing pension, health, casualty, and life actuaries) responsible for overseeing the actuarial practice and setting guidelines so that we maintain high quality actuarial service standards.

#### RFP Reference: Section IV B. Task #4 – Ad Hoc Consulting Services

##### b. Required Submission

- (4) Provide a description of two (2) prior ad hoc projects undertaken by the Offeror for a client(s). (The ad hoc projects provided cannot be for ad hoc projects undertaken for the benefit of the Department, DOB and/or GOER.) Each of the projects should have, in the opinion of the Offeror, required a comprehensive analysis of a highly complex issue that was of urgent nature to the client.
- (5) The Offeror should complete and submit RFP Exhibit III.B, entitled "Project Abstract" for each of the two (2) examples discussed above using the instructions provided in the Exhibit.

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A description of two (2) prior ad hoc projects, along with a completed RFP Exhibit III.B, entitled "Project Abstract" for each of the two (2) examples discussed above can be found in Appendix D of the Technical Proposal.



# Performance Guarantees

## RFP Reference: Section IV C. Performance Guarantees

### b. Required Submission

Offerors' proposed performance guarantee responses including penalty fee amounts to be put at risk for non-performance are not considered to be cost information and therefore should be stated in the Offeror's Technical Proposal. At this part of its Technical Proposal, the Offeror must state its agreement to the following minimum guarantees and propose amounts, expressed as either a fixed per day dollar amount or a fixed percent per day amount to be put at risk for failure to meet the guarantee. Failure to agree to one or more of the following minimum guarantees and/or failure to propose an associated penalty fee amount(s), expressed as either a fixed per day dollar or a fixed percent per day amount, to be put at risk for failure to meet the guarantee(s), may result in the Offeror deemed non-responsive and eliminated from further consideration.

Deloitte Consulting agrees to support the Department during the Premium Renewal Process and deliverables will be provided in accordance with the requirements of this RFP.

We agree to incorporate the Performance Guarantees indicated within Section IV of the Technical Proposal Requirements in the four Task Areas included below. Additionally we agree to the fixed dollar amounts or fixed percentage per day listed below to be put at risk for failure to meet the delivery criteria described therein for reasons *within our control*.

## RFP Reference: Section IV C. Performance Guarantees

### b. Required Submission

- (1) **Task #1 - Premium Rate Renewals:** State your willingness to guarantee that the Contractor will support the Department during the Premium Renewal Process and that the two required reports and other Task #1 deliverables will be provided in accordance with the requirements set forth in RFP Section IV.B.1 provided that the required electronic data is received by the Contractor from all vendors by July 15th of each renewal cycle and the vendor renewals are received by no later than the first week in September. If the Contractor does not receive the data and/or renewals by the specified dates, different due dates shall be agreed upon in writing by the Parties and guaranteed by the Contractor. The Offeror must propose a penalty for failure to meet the above guarantee and the guarantee must be proposed in the following format:

**For Task #1** - For each twenty-four (24) hour period, that a Task #1 report is not provided to the Department by the report(s) due date, the Contractor shall pay or credit the Department [REDACTED] until such time that the report(s) is provided to the Department. The aggregate total penalty amount shall not exceed [REDACTED] in its performance of the associated Task #1 activity

**RFP Reference: Section IV C. Performance Guarantees****b. Required Submission**

- (2) **Task #2 – Quarterly Analysis:** State your willingness to guarantee that Quarterly Contractor Commentary Reports will be provided in accordance with the requirements set forth in RFP Section IV.B.2, not later than forty-five (45) calendar days from the end of the quarter under review, provided that the required electronic data is received by the Contractor from all vendors within fifteen (15) days of the close of the quarter, and the vendor reports within twenty-three (23) days of the close of the quarter. If the Contractor does not receive the data and/or vendor reports by the specified dates, the due date shall be extended by one day for each day the data and/or vendor reports are late. The Offeror must propose a penalty for failure to meet the above guarantee and the guarantee must be proposed in the following format:

**For Task #2** - For each twenty-four (24) hour period, or part thereof, beyond a given Quarterly Contractor Commentary Reports' due date that the final Quarterly Contractor Commentary Reports is not provided to the Department by the Contractor, the Contractor shall pay the Department [REDACTED] until such time as the required final Quarterly Contractor Commentary Reports are provided to the Department. The aggregate total penalty amount shall not exceed the [REDACTED] in its performance of the associated Task #2 activity

**RFP Reference: Section IV C. Performance Guarantees****b. Required Submission**

- (3) **Task #3 – GASB 75 Valuation:** State your willingness to guarantee that GASB 75 valuation services and the five (5) required reports will be provided in accordance with the requirement set forth in RFP Section IV.B.3 and that other specified deliverables as requested by the Department in fulfillment of GASB obligations will be provided in accordance with due dates specified in the annual Task #4 task order negotiated by the Parties, as may be amended by a Department approved Change Order Request(s). The Offeror must propose a penalty for failure to meet the above guarantee and the guarantee must be proposed in the following format:

**For Task #3** - For each twenty-four (24) hour period, or part thereof, beyond the due date for a given Task #3 report, as specified in the annual Task #4 task order negotiated by the Parties, as may be amended by a Department approved Change Order Request, is not provided to the Department by the Contractor, the Contractor shall pay the Department [REDACTED] until such time as the report(s) is/are provided to the Department. The aggregate total penalty amount shall not exceed the [REDACTED] in its performance of the associated Task #3 activity.

**RFP Reference: Section IV C. Performance Guarantees****b. Required Submission**

- (4) **Task #4 – Ad Hoc Consulting Services:** State your willingness to guarantee that, in accordance with the requirements of RFP Section IV.B.4, analysis provided for a given Ad Hoc Project will be 1) based on the most current information available, 2) comprehensive, and 3) actuarially sound and reasonable, and that an Ad Hoc Project's final deliverables will be provided to the Department not later than the due date agreed upon by the Department and the Contractor for a given Ad Hoc final deliverable. The Offeror must propose a penalty for failure to meet the above guarantee when the Not-To-Exceed Total Cost of a given Ad Hoc project is equal to or greater than fifty thousand dollars (\$50,000) and the guarantee must be proposed in the following format:

**For Task #4** - As regards Ad Hoc projects whose [REDACTED], for each twenty-four (24) hour period, or part thereof, beyond the due date for the [REDACTED]

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Ad Hoc Project's report or final deliverable, as negotiated by the Parties on a case-by-case basis, that the report/deliverable is not provided to the Department by the Contractor, the Contractor shall pay the Department [REDACTED] of the Task #4 Ad Hoc Not-To-Exceed Total Cost amount, until such time as the report(s)/deliverable(s) is provided to the Department. The aggregate total penalty amount shall not exceed the [REDACTED] in its performance of the associated Task #4 Ad Hoc project.



# Diversity Practices Questionnaire

## RFP Reference: Section IV D. Diversity Practices Questionnaire

a. Required Submission

The Offeror must submit the Diversity Practices Questionnaire (Exhibit IV.A) signed by both the Offeror's authorized representative and public notary. The Offeror's completion of the questionnaire is voluntary and blank submissions will not disqualify an Offeror from the procurement.



## Exhibit IV.A - DIVERSITY PRACTICES

### Diversity Practices Questionnaire

I, [REDACTED] (title) of Deloitte Consulting LLP firm (hereafter referred to as the company), swear and/or affirm under penalty of perjury that the answers submitted to the following questions are complete and accurate to the best of my knowledge:

1. Does your company have a Chief Diversity Officer or other individual who is tasked with supplier diversity initiatives? *Yes*

If Yes, provide the name, title, description of duties, and evidence of initiatives performed by this individual or individuals. *Yes, we have three individuals who work in concert to manage different components of supplier diversity.*

2. What percentage of your company's gross revenues (from your prior fiscal year) was paid to New York State certified minority and/or women-owned business enterprises as subcontractors, suppliers, joint-venturers, partners or other similar arrangement for the provision of goods or services to your company's clients or customers? *Less than 1%*
3. What percentage of your company's overhead (i.e. those expenditures that are not directly related to the provision of goods or services to your company's clients or customers) or non-contract-related expenses (from your prior fiscal year) was paid to New York State certified minority- and women-owned business enterprises as suppliers/contractors?<sup>1</sup> *We do not track this statistic.*
4. Does your company provide technical training<sup>2</sup> to minority- and women-owned business enterprises? *No*

If Yes, provide a description of such training which should include, but not be limited to, the date the program was initiated, the names and the number of minority- and women-owned business enterprises participating in such training, the number of years such training has been offered and the number of hours per year for which such training occurs.

5. Is your company participating in a government approved minority- and women-owned business enterprise mentor-protégé program? *Yes*

If Yes, identify the governmental mentoring program in which your company participates and provide evidence demonstrating the extent of your company's commitment to the governmental mentoring program. *Deloitte's Federal practice has successfully participated in*

<sup>1</sup> Do not include onsite project overhead.

<sup>2</sup> Technical training is the process of teaching employees how to more accurately and thoroughly perform the technical components of their jobs. Training can include technology applications, products, sales and service tactics, and more. Technical skills are job-specific as opposed to soft skills, which are transferable.

formal government-sponsored mentoring programs since 2007. We have participated in mentor protégé programs through the following agencies: Department of Homeland Security, Department of State, Department of Treasury, Federal Aviation Administration, U. S. Agency for International Development, Department of Energy, Small Business Administration and the Department of Defense.

As required by the federal government, we have completed and submitted semi-annual reports that demonstrate our commitment to the programs and to our proteges. See sample attached (Exhibit 1.)

6. Does your company include specific quantitative goals for the utilization of minority- and women-owned business enterprises in its non-government procurements? No

If Yes, provide a description of such non-government procurements (including time period, goal, scope and dollar amount) and indicate the percentage of the goals that were attained.

7. Does your company have a formal minority- and women-owned business enterprise supplier diversity program? Yes or No

If Yes, provide documentation of program activities and a copy of policy or program materials. See attached Exhibit 1

All information provided in connection with the questionnaire is subject to audit and any fraudulent statements are subject to criminal prosecution and debarment.

Signature of Owner/Official

Printed Name of Signatory

Title

Name of Business

Deloitte Consulting LLP

Address

39 North Pearl St. Suite 3B

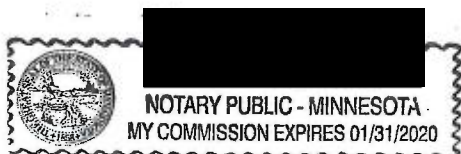
City, State, Zip

Albany, NY 12207

STATE OF Minnesota

COUNTY OF Hennepin ) ss:

On the 26th day of May, 2017, before me, the undersigned, a Notary Public in and for the State of Minnesota, personally appeared [REDACTED] personally known to me or proved to me on the basis of satisfactory evidence to be the individual whose name is subscribed to this certification and said person executed this instrument.



[REDACTED]

Notary Public

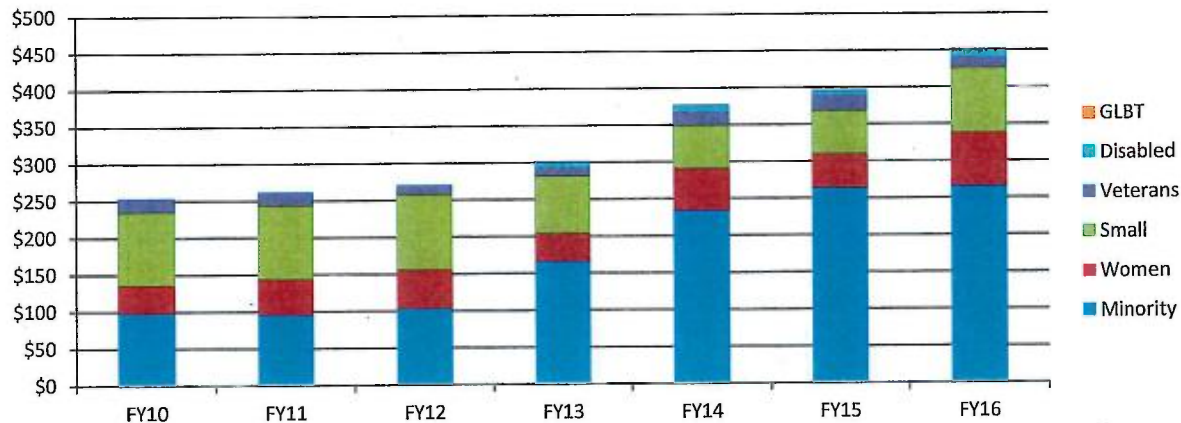
## Deloitte's supplier diversity program

Diversity Practices Questionnaire Exhibit 1

At the Deloitte U.S. Firms, we believe that diversity in our talent and our business relationships brings richness and strength to the business solutions we provide. Our commitment to diversity extends to our supply chain, where we drive toward broadening our base of minority-, women-owned and other diverse suppliers in order to provide best-in-class procurement solutions. Supplier diversity is embedded into our strategic procurement processes; we maintain a database of qualified diverse supplier candidates, and include diverse suppliers in our sourcing and procurement efforts whenever possible. In selected strategic categories, MWBE suppliers comprise a significant share of the preferred supplier structure.

In FY2016, we did business with over 947 diverse and/or small business enterprises, or 6% of all suppliers, representing over \$452 million in procurement spend, or 9.39% of total supplier spend. Supplier Diversity at Deloitte is managed by the Sr. Manager of Corporate Responsibility and Supplier Diversity, under the direction of the Chief Procurement Officer and the Chief Inclusion Officer.

Supplier Diversity Spend Trend  
(\$ in millions)



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Deloitte Consulting LLP  
May 26, 2017  
**Appendix A-1 | Page**

# Appendix A – Deloitte Information Security Statement



# Information Security Statement

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02/07/2017

## Overview

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Deloitte <sup>1</sup> has developed and implemented an Information Technology ("IT") infrastructure that is designed to generally align with industry standards. The security boundary of the IT infrastructure includes Deloitte-issued laptops, as well as infrastructure and applications, such as databases, document collaboration, email, and backup systems. The IT infrastructure security controls and associated information security processes were developed to protect confidential information while making it available in appropriate circumstances. A summary of such policies, controls, and associated processes is set forth below.

## Purpose

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The purpose of this Information Security Statement is to provide an overview of Deloitte's IT security practices that are in effect as of the recent published date of this document.

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## Cyber Security

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Deloitte's Chief Information Security Officer ("CISO") oversees the Cyber Security team, which provides assistance in the following areas:

- eDiscovery Forensic Investigations:
  - Manages the end-to-end process of collecting data requested by the Office of General Counsel ("OGC") for legal and regulatory matters
  - Works with OGC and the Talent organization to conduct internal investigations on misuse of data resources and manages security incident responses
  - Acquires, documents, and preserves digital evidence for computer forensics
- Risk & Compliance:
  - Leads and manages the vendor security program and privacy impact assessment process
  - Collaborates with client service leaders and OGC in responding to client security inquiries and security agreements
  - Leads Deloitte's third party audit and assessment (e.g., SOC2 and Shared Assessments Agreed Upon Procedures)
  - Leads Deloitte's security awareness efforts and assists with global security awareness efforts
  - Responsible for exceptions to security policies and standards
- Cyber Defense:
  - Monitors, analyzes, and responds to all types of system, device, and application events, such as user activity, firewalls, IDS/IPS, antivirus, and vulnerabilities
  - Identifies, rates, and remediates potential security vulnerabilities of applications and systems
  - Understands which Deloitte systems are used, how, and by whom and uses this information to protect the organization from potential threats
- Data Protection:
  - Reviews emerging technologies, security architecture, and proposals for improvements
  - Leads the identity management program
  - Leads Federal support and maintains FedRAMP certifications

Members of the Cyber Security team hold various industry–security- and audit-based certifications (e.g., CISSP, CISM, CISA, ISSM, CRISC, CEH, ISO 27001 Lead Auditor, and OSCP).

## **Information Security Program**

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Deloitte maintains a comprehensive information security program, which includes policies, standards, procedures and guidelines. The information security program is informed by several industry-standard guidelines and best practices including ISO27002, COBIT, ITIL, American Institute of Certified Public Accountants (“AICPA”) Service Organization Controls (“SOC2”), and the Shared Assessments Program (formerly known as the “BITS Financial Institution Shared Assessments Program”).

Deloitte’s IT leadership meets on a regular basis to consider strategic and tactical direction for the information security program, and its policies, standards, procedures and guidelines.

Information security policies are drafted with input from internal information security stakeholders and are based upon industry standard practices. The drafts are reviewed and approved by Deloitte’s Cyber Security leadership, OGC, the Office of Confidentiality and Privacy and the CISO and Deloitte’s Chief Information Officer. Once approved, the policies are published on Deloitte’s intranet and communicated to personnel.

## **On-Site Security Assessments**

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In an effort to protect and minimize risk to Deloitte’s clients’ data, in lieu of permitting individual clients to perform independent security assessments of Deloitte’s information security program, each year Deloitte engages an independent third-party auditor (“Third Party”) to (i) conduct an examination in accordance with AT Section 101 of the Statement on Standards for Attestation Engagements to report on controls at a Service Organization relevant to security and availability established by the AICPA (“AICPA Standards”) and, subject to AICPA Standards, prepare a Type 2 service organization controls report with respect thereto (the “SOC2 Report”), and (ii) apply procedures based upon a version of the Shared Assessments Program Agreed Upon Procedures (the “Shared Assessments AUPs”) with respect to certain of Deloitte’s information technology controls and to prepare a report with respect thereto (the “Shared Assessment Report”).

### **SOC2 Report**

The SOC2 Report includes the Third Party’s opinion on the fairness of the presentation of the description of Deloitte’s systems in management’s assertion and on the suitability of the design and operating effectiveness of the controls to meet the applicable trust services criteria, based on the Third Party’s examination. The SOC2 Report also includes a description of Deloitte’s systems and controls, and a description of the Third Party’s criteria, test procedures, and the results of such tests. The SOC2 Report may be made available to a current or prospective client once such client or prospective client has executed an appropriate non-disclosure agreement with Deloitte.

### **Shared Assessment Report**

The Shared Assessment Report is used to assist Deloitte management in evaluating certain IT controls related to the security of Deloitte’s client data. The Shared Assessment Report may be made available to a current or prospective client once such client or prospective client has executed an appropriate non-disclosure agreement with Deloitte and an access letter with the Third Party.

The Shared Assessments Program includes the Agreed Upon Procedures (which are a list of security control

<sup>1</sup> As used in this Information Security Statement, “Deloitte” refers to Deloitte LLP and/or its affiliates.



objectives) and the Standardized Information Gathering ("SIG") questionnaire. Detailed information about the Shared Assessments Program can be found at <http://www.sharedassessments.org/>. The Shared Assessments Program defines specific controls and objectives as well as the procedures for verifying those controls. The Agreed Upon Procedures address the following controls areas:

- Risk management
- Information security policy
- Organization of information security
- Asset management
- Human resources security
- Physical and environmental security
- Communications and operations management
- Access control
- Information systems acquisition, development and maintenance
- Information security incident management
- Business continuity management
- Compliance
- Privacy

## **Awareness and Training**

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Deloitte has implemented training and awareness programs for its personnel related to information-security, confidentiality and privacy policies, and data-protection standards. All Deloitte personnel are required to complete information security awareness training during the new-hire onboarding process. All personnel are presented with an information security policy awareness statement via Deloitte's intranet two times each year, which they are required to acknowledge within two weeks of the statement's release.

All Deloitte personnel are also required to complete a confidentiality, privacy and information security training course.

Deloitte has a dedicated security awareness committee. The committee is responsible for developing ideas to enhance Deloitte's awareness of security risks and issues through policy development and training. The committee is comprised of delegates from Deloitte's Cyber Security leadership, National Office of Security, Office of Confidentiality and Privacy, CISO, National Quality Risk Management, Talent, and OGC, and from Deloitte Touche Tohmatsu Limited's Global Information Security Office, who regularly meet to discuss new or recurring security issues, devise strategies and implementation plans, and provide progress reports on existing projects.

## **Management and Protection of Confidential Information ("CI")**

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Deloitte is committed to protecting the CI of our clients, our organization and the third parties with which we work. To support this commitment, Deloitte has established the Office of Confidentiality and Privacy and developed a CI program for proactive management and protection of CI (the "CI Program"). The Office of Confidentiality and Privacy is responsible for setting guidelines, developing procedures, and providing consultation and training on the management of CI. The Office of Confidentiality and Privacy is also responsible for implementing the CI Program across Deloitte.

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The CI Program consists of processes, technology controls, training, and communications that help our professionals to improve their awareness of CI risks and their ability to properly manage and safeguard CI.

## CI Program

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The CI Program consists of processes and activities that are performed by account and engagement teams throughout the engagement lifecycle to manage and protect CI.

Account and engagement teams in the CI Program generally do the following:

- Appoint a Data Manager responsible for overseeing the CI Program activities;
- Develop and maintain a Confidential Information Management Plan ("CIMP") to document the CI management strategy and safeguards employed;
- Develop and deliver CI onboarding training that outlines the protocols that team members must follow when accessing, storing, using, transferring, and disposing of CI;
- Implement physical, administrative, and technical safeguards identified in the CIMP to proactively manage CI risk; and
- Complete all other required confidentiality training as applicable.

## Data Privacy

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Data Privacy is a key function of the Office of Confidentiality and Privacy. Deloitte has a data privacy policy, applicable procedures, and personnel dedicated to making sure we are in compliance with applicable data privacy laws and regulations.

- Deloitte has policies and procedures that protect personally identifiable information ("PII") and support compliance with US and the European Union (EU) legal requirements relating to the transfer and processing of PII, including personal health information. Deloitte adheres to the Privacy Shield Framework with respect to PII that is transferred from the European Economic Area to the United States.
- Deloitte is not a "Covered Entity" as defined under the Health Insurance Portability and Accountability Act, as amended ("HIPAA"). Therefore, Deloitte is generally not required to, and does not, comply with the obligations of a Covered Entity. However, when Deloitte acts in the capacity of a "Business Associate" to our clients, as such role is defined under HIPAA, Deloitte is required to comply with the obligations of a Business Associate under HIPAA. Deloitte has implemented policies, procedures, and controls that facilitate compliance with those obligations.
- Deloitte has instituted an annual review process across all Deloitte business areas to verify compliance with privacy policy and procedures.

## **Confidentiality and Privacy Incident Management**

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Deloitte has instituted an integrated incident response process designed to facilitate prompt reporting and resolution of incidents. Our confidentiality and privacy incident response process is characterized by the following:

- Centralized reporting of actual or suspected incidents to a Help Desk, which is available 24/7 with access via a toll-free number;
- Training and awareness programs focused on helping personnel understand immediate steps to be taken in case of actual or suspected incidents;
- Established roles and responsibilities for incident management and response including involving the appropriate consultation resources across the Deloitte organization, as applicable to the specific matter;
- Documented processes to help gather incident facts, initiate response activities, engage incident response teams, escalate incidents and alert appropriate leaders, based on the nature of the specific incident;
- Consultation among the relevant parties regarding the need for a corrective action plan;
- Development, as appropriate, of action plans for mitigating the risk of a future recurrence; and
- Post-incident follow-up process to analyze root causes and integrate lessons learned.

## **IT Continuity Management**

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Deloitte maintains an active disaster recovery and business continuity program which help us to continue delivering information-technology-related services should a disruption occur. Deloitte's program includes the following basic activities:

- Business continuity planning for IT infrastructure support staff;
- Disaster recovery planning of our technology through multiple failover capabilities;
- Implementation of resilient architectures where technology allows;
- Risk assessments as part of continual service improvement, with countermeasures identified and implemented for the newest scenarios; and
- Internal review process for maintaining the quality of plans and services

Business continuity plans ("BCP") include emergency-response business procedures, which go into effect following the occurrence of a disaster or other unplanned interruption.

Disaster recovery ("DR") plans include technical and business contact call lists, as well as notification and escalation information and architecture diagrams. Where pertinent, third-party information is also included. Recovery time objectives and recovery point objectives are documented and tested for each plan.

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BCP/DR plans are subject to review and testing every 12 months with industry standard testing methods.

Risk assessment test scenarios vary based on business sensing and technology security. Test results are reviewed and recorded.

In summary, Deloitte has a comprehensive disaster recovery and business continuity program that is designed to provide for the continuity of essential IT business functions and critical business processes following the occurrence of a disaster or other unplanned interruption impacting Deloitte's IT infrastructure.

## **Business Continuity Management**

Deloitte takes disaster and contingency planning very seriously, including planning for events that impact its people and/or its facilities. Deloitte's business continuity planning addresses issues such as, communications, travel, resource allocation, technology needs, and alternate work sites. Response procedures assess the well-being of personnel, provide for the continuity of essential business functions, and utilize recovery procedures for the restoration of critical business processes.

Cross-functional teams are identified to manage potential disruptive events, emergency situations or disasters. Each Deloitte office has a local crisis management team to handle smaller, localized events impacting a single location. For larger events or those that are not specific to a single location or geography, an experienced national incident support team is assigned ("National Incident Support Team"). A national crisis council handles incidents that rise to the level of a true crisis requiring strategic involvement and decision-making.

Cross-functional teams are identified and documented in the plans to include representation of key stakeholders from the following areas:

- Client Services
- Office Services/Operations/Facilities
- Office of Security
- Human Resources and Benefits
- Information Technology Services
- Procurement and travel
- Communications
- Risk Management

Deloitte has designed an impact-driven approach, which focuses on the impacts of an event, emergency, or crisis, rather than specific scenarios. Each type of situation could have an impact on our people, our facilities, our technology, or our clients. Each type of situation could require communications, whether internal or external. The team-based, impact-driven approach utilized by Deloitte provides the best resources to assess and address the impacts of an event.

Deloitte has developed a specific plan to address the impacts and continuity of operations in light of a pandemic ("Pandemic Plan"). The Pandemic Plan and related governance model is aligned with the crisis management and business continuity processes, including the use of the National Incident Support Team, but is supplemented by additional members of a Pandemic Response Committee. The Pandemic Response Committee monitors potential pandemic developments, and would oversee implementation of specific pandemic action steps based on the severity of the pandemic, including targeted communications that would

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be issued internally and externally, and identification of critical people and resources.

## **Limits of BCP and Pandemic Planning**

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Due to the significant uncertainties associated with a possible flu pandemic or other disaster, Deloitte can make no representations or warranties, nor provide any assurances, that its plans will be adequate to respond to any possible consequences, or that the plans of any third parties to deal with a possible flu pandemic or other disaster are or will be sufficient to address any situations or problems that might arise during a pandemic or other disaster. Deloitte's objective is to prepare for a possible flu pandemic or other disaster based on the information and data that it has at this time, and to possibly modify those plans as it believes conditions or facts may warrant.

Every organization needs to develop its own preparedness plan based on its specific circumstances, business functions, and operational factors. Consequently, a plan developed for one function or business cannot be expected to address the potential issues that may be faced by another business enterprise. Because business continuity and disaster recovery plans and documentation contain information about Deloitte that is proprietary and confidential, Deloitte does not provide third parties with copies of such plans or documentation.

## **Human Resources Security**

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Upon hire, all personnel agree to comply with Deloitte's policies, including those relating to information security, confidentiality and privacy. In addition, all Deloitte personnel are required to complete security awareness training during the new hire onboarding process.

### **Background Checks for U.S. Personnel**

Deloitte generally requires that background investigations be conducted for partners, principals and all employees at the time that they join Deloitte. Potential issues that are identified in the background investigation are reviewed on an individual case-by-case basis, in light of guidance from the Equal Employment Opportunity Commission and applicable federal, state and local law. This individualized assessment includes a determination of whether the issues identified are job-related or pose a risk to Deloitte or to its employees, partners, principals, or clients. The type of background investigation performed depends on whether the individual joining is a partner or principal and the level of the employee. While background investigations were not always performed on Deloitte personnel, and may not always have covered the same information, all background investigations of Deloitte personnel in the U.S. currently include the following, at a minimum:

- SSN verification: confirms a valid number and the names and addresses associated with that number
- Felony and misdemeanor conviction searches: searches of the following records for felony and misdemeanor convictions are performed for the last five years in areas of residence, work and school:
  - Federal courts
  - County courts
  - State repositories, where the state has made one available and it is reasonably accessible
- A national criminal record database search, including the state sex offender registries.
- Education confirmation: education beyond high school confirmed
- Employment confirmation: professional employment in the last five years is confirmed
- Searches of various government and criminal sanctions lists, such as SEC, OFAC, OIG/GSA, FDA, FBI Most Wanted, EU Terrorist Watch List, Interpol Watch List, etc.

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- Professional licenses: confirm relevant professional licenses

### **Background checks for Personnel of Deloitte entities located in India (“U.S. India”)**

The type of background investigation performed depends on whether the individual joining U.S. India is a partner, principal, or employee, and the level of the employee. While background investigations were not always performed on U.S. India’s personnel and may not always have covered the same information, all background investigations of U.S. India personnel currently include the following, at a minimum:

- Identity Verification, where possible
- Criminal checks: check all relevant court records for a five year period
- Education confirmation: all university level education is confirmed
- Employment confirmation: all professional employment in the last five years is confirmed
- Searches of various government and criminal sanctions lists, including India specific and global databases
- Professional licenses: confirm relevant professional licenses

## **Physical and Environmental Security**

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Only authorized personnel with a Deloitte-issued electronic badge are granted access to Deloitte’s facilities. Procedures exist for controlling visitor access and maintaining a detailed log of all visitors to the facilities. Deloitte data centers are further restricted to only those personnel with the need to access restricted areas. Data centers have the following physical security measures: security guards, man-trap doors at primary entrance, multi-factor authentication (Deloitte-issued electronic badge and biometric readers) at secondary entrance, video cameras, and sign-in and sign-out sheets for escorted visitors.

The electricity, water, and temperature controls are all pre-approved for use by the facilities administrators in the data centers. Each utility has a control in place to monitor its usage and to notify an administrator in case of failure. Automatic emergency lighting is installed in areas necessary to maintain personnel safety.

Emergency exits are located in appropriate places in Deloitte facilities. Automatic fire suppression systems have been installed to protect the facilities. In data centers, the primary system is HFC-125 chemical based and activated via multiple smoke detectors, and the second type is pre-action hydronic, and the detection method is temperature. Master water shut-off valves are present. Temperature and humidity controls have been implemented to protect against temperature fluctuations in all areas of the data centers containing IT equipment.

## **Risk Management**

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Deloitte has a risk management program that monitors possible threats and vulnerabilities to information technology assets. Risk assessment(s) are performed annually and when there are significant changes to infrastructure, technology or environment. There are several control domains defined for risk assessment. These control domains are derived from industry standard practices and frameworks. For each control domain, implemented controls are identified and tailored and their effectiveness assessed for risk management. Risks that are not at an acceptable level are remediated or mitigated.

## **Vendor Hosting and Processing**

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Deloitte has arrangements with vendors who provide Deloitte with certain software-as-a service and hosting services. Deloitte selects and retains these vendors based on, among other qualities, their

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capability to maintain safeguards for the systems, software and information at issue that are consistent with leading industry security practices. Deloitte requires these vendors to implement and maintain such safeguards.

## **Vendor Assessment Process**

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The Vendor Assessment process is designed to reduce vendor-related risk by:

- Building a repository of acceptable vendors;
- Assessing the security posture of vendors;
- Tracking remediation of identified issues; and
- Reviewing and assisting with vendor contracts with respect to obligations relating to Deloitte's information security program.

## **Asset Management**

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Deloitte has an asset management team that is responsible for oversight and management of Deloitte assets and inventory throughout its lifecycle. There are tools and controls in place that manage all hardware and software assets. Deloitte has policies and procedures in place to manage licensed software and security controls to deter prohibited software from being installed and/or used. A software and hardware inventory system is maintained, which identifies hardware and software components used within Deloitte information systems. Multiple controls are used to manage the configuration baselines, including mobile device management. These controls are supported by automated tools that provide configuration and inventory information on a continuous basis specific to configuration compliance, known vulnerabilities, inventory by Internet Protocol address ("IP address")/device name and asset operational and connection status.

## **Access Control**

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Access to Deloitte information contained on Deloitte IT systems is granted on a need-to-know basis and must be approved by the Deloitte data owner.

Vendor and contractor access is requested through formal procedures that involves Deloitte's Talent and Technology groups. Upon approval, the vendor user accounts are created in a controlled domain organizational unit giving the access necessary to perform their defined duties. Vendor and contractor access is granted on a temporary basis requiring regular review and renewal of approval by management.

For certain systems remote access is provided via a Secure Sockets Layer ("SSL") Virtual Private Network ("VPN") using two-factor authentication with account activity being logged to Deloitte's logging/alerting mechanism. Depending on the level and type of access required, the SSL VPN solution provides a virtual session or web interface with access into the needed application(s) or platform.

Privileged user accounts are established and administered in accordance with a role-based access scheme that organizes all system and network privileges into role-based groups (e.g., key management, network, system administration, database administration, and web administration).

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## Identification and Authentication

All users must authenticate to the Deloitte network using a unique user identification ("ID") and a strong password prior to gaining access to the information system.

### Deloitte strong passwords contain the following characteristics:

- At least eight characters in length
- Cannot be any of 10 previous passwords
- Expire every 90 days
- Lockout threshold after 6 invalid logon attempts
- Contain at least three of the following four classes:
  - English uppercase letters (A, B, C,...)
  - English lowercase letters (a, b, c,...)
  - Westernized Arabic numerals (0, 1, 2,...)
  - Non-alphanumeric (special) characters (#, &, !, %, @, ?, \*, et al.)

## System Security

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### System and Communications Protection

An intrusion prevention system ("IPS") is employed at the point of entry to the Deloitte network environment. The logs for the IPS, firewall, and VPN are sent to a log aggregator. Access control lists are placed on firewalls controlling the inbound and outbound flow of traffic. Traffic is denied by default unless approved by the gateway protocols as configured and approved by the Deloitte security team. A demilitarized zone ("DMZ") and trusted zones are used to segment traffic to areas that are protected in accordance with the accepted risk levels.

### System and Information Integrity

Firewall, IPS, and VPN audit logs are sent to the log aggregator, which checks for abnormal activity and anomalous behavior that would trigger an information security review. Hardware and software checks are done by automated tools with identified alert levels that trigger a notification to the system administrators in case of a system flaw. Anti-virus and malware protection is managed by enterprise policy and distributed by a server located in the environment periodically. Anti-virus is configured to scan external devices attached to the information system as well as email traffic.

### Data Back-up

Deloitte systems are scheduled for daily backup and two iterations of data through redundant data mirroring: one onsite and one offsite. If a system backup is interrupted for any reason, it will resume on the alternate site where it left off. A reputable vendor is utilized for offsite backup storage and disposal. All backup media is encrypted prior to shipment to the vendor and a controlled process exists for turnover. The vendor is subject to obligations of confidentiality. The vendor has security practices in place and uses a tracking application for all media it handles on Deloitte's behalf. Deloitte is provided with inventory reports of the media and chain-of-custody. The vendor stores the media in a secure, environmentally-controlled storage facility.

## Information Systems Acquisition, Development and Maintenance

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### Security Planning

The Deloitte information security program, applicable policies, standards, standard operating procedures

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and guidelines are reviewed annually and updated as necessary.

#### **Acquisition of System and Services**

Deloitte does not acquire IT systems or services until Cyber Security has reviewed the product or service to determine whether it meets internal guidelines with respect to security and encryption. Software installation requests are submitted for risk assessment and approval. Software is not implemented unless it meets applicable Information Technology Services ("ITS") standards. There is a Change Control Board ("CCB") that discusses any changes that may affect the security posture of the environment and documents all proposed upgrades or modifications to the environment, assets and infrastructure.

#### **Application Development**

Deloitte follows secure coding best practices during the system development lifecycle for Deloitte applications. Deloitte's applications undergo security reviews, testing and vulnerability scans prior to being placed in production.

#### **Change Control**

Deloitte has a change management process in place for its IT systems. Proposed changes are submitted, tested, and reviewed during regularly scheduled CCB meetings. Approved changes are tested and vulnerability scans are performed prior to deployment. Deployment windows are scheduled to minimize the impact to Deloitte's operations. Back-out plans are in place should they be needed.

#### **Patch Management**

Deloitte has a patch-management program and supporting tools in place that are managed by an internal patch management team ("PMT"). Vendor and industry-accepted alert lists are monitored for new patches. Patches are reviewed by the PMT at regularly scheduled meetings and are rated for deployment based on assessed severity levels. Emergency patch management meetings are called when needed.

#### **Vulnerability Management**

Deloitte's network undergoes penetration testing and vulnerability scans performed by Deloitte's Cyber Defense team. Penetration tests are performed annually on the network infrastructure's external perimeter by Deloitte's Cyber Defense team. Vulnerability scanning is performed weekly on the network infrastructure's external perimeter by Deloitte's Cyber Defense team. Vulnerability scanning is performed monthly on IT infrastructure's internal network by Deloitte's Cyber Defense team.

#### **Maintenance**

Deloitte ITS performs software and hardware maintenance on Deloitte's environment servers.

Information system backups are performed daily. Performance reports are initiated through automated tools that specify certain levels of performance to trigger the generation of the report (i.e., % of CPU processor utilization, etc.).

Third-party contractor maintenance personnel must be approved prior to receiving access to the information system servers. Third party maintenance personnel are escorted into the facility and accompanied during the period of access. A log is maintained which documents the name, date, length of time, justification, and escort name for each maintenance individual who is granted access to the information system(s).

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## Information Security Incident Management

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Deloitte has built an integrated incident response team that brings together the appropriate subject matter experts from various cross-functional disciplines to address each specific incident. The Security Incident Response Procedures ("Procedures") describe how various types of incidents are handled. The Procedures identify key resources and communications that will take place based on various incident types. The Procedures identify to whom suspected incidents should be reported and describe the escalation path from the entry point in the process through fruition. Security awareness training is in place to educate Deloitte personnel of their responsibilities concerning security incidents. Each incident is logged and the relevant facts are captured for analysis and reporting. When necessary, data related to the incident is maintained in a forensically sound manner and appropriate chain-of-custody is documented.

The incident response team has a variety of tools available to assist them in the analysis of incidents. These include standard security tools from software and hardware providers as well as commercial forensic tools specifically targeted for such matters.

Information security incident procedures are executed periodically so the teams remain prepared for response should the need arise. At the completion of each significant incident, a post-incident review is conducted to identify any areas for improvement as well as lessons learned. These findings are used to adjust, enhance or improve the procedures.

## Compliance

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### System Audit and Accountability

System audit logs and records are created to monitor the following;

- anti-virus services
- intrusion prevention services
- remote access services, web proxy services
- domain authentication
- router events
- firewall events
- VPN access
- application logs

System audit logs are maintained to support analyses and investigations. Logs are maintained for a period of 180 days. Logs may also be preserved based on legal or regulatory requirements.

System audit log content includes: (i) date and time of the security event; (ii) the component of the information system (e.g., software component, hardware component) where the security event occurred; (iii) type of security event; (iv) unique user/subject identity; and (v) the outcome (success or failure) of the security event.

### System Audits

Deloitte's internal audit team periodically performs internal audits on various aspects of Deloitte's systems, processes, and policies.

### Application Configuration Management

<sup>1</sup> As used in this Information Security Statement, "Deloitte" refers to Deloitte LLP and/or its affiliates.

Software baseline requirements are created in accordance with Deloitte policies and standards. Software is tested against the baseline requirements prior to being placed in the production environment. Continued monitoring and change management processes are conducted while in operation.

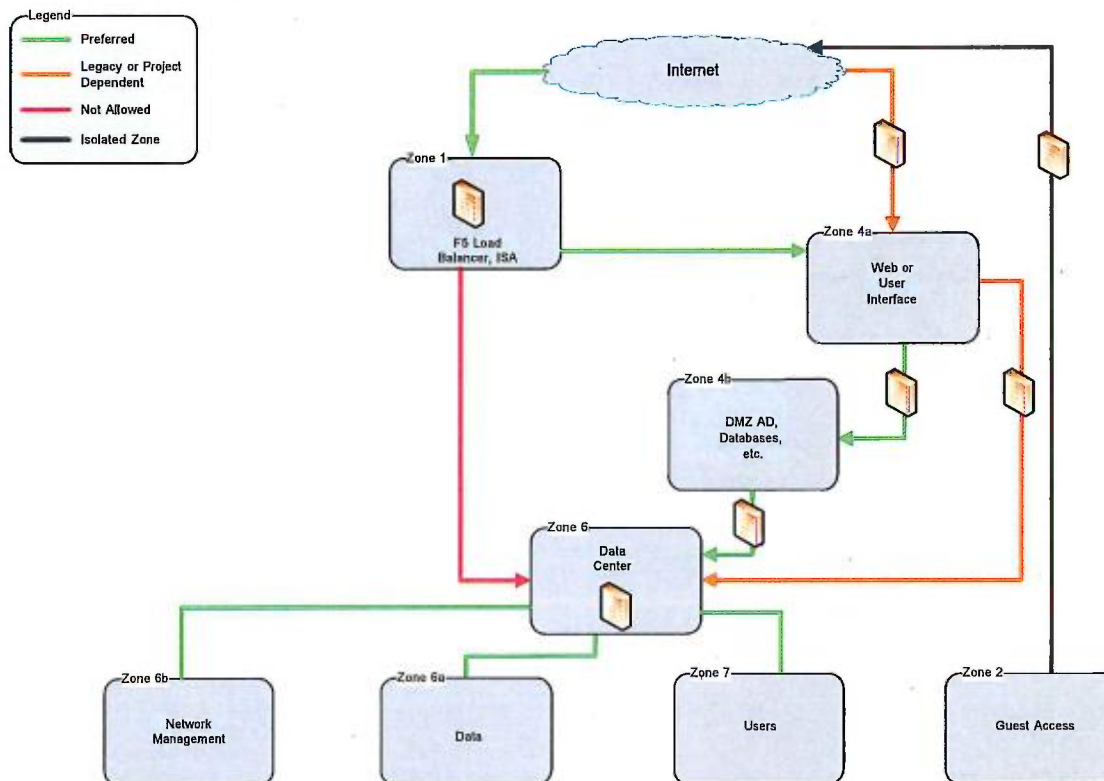
## Wireless Access

Deloitte supports an internal wireless network within the organization. A wireless-security and acceptable-use policy is in place. Only Deloitte-approved access points will be connected to Deloitte's network.

- For wireless access to Deloitte's networks, personnel are required to use Wi-Fi Protected Access (WPA2 or stronger protection) where it is available.
- For the convenience of visitors, clients, or guests, a guest wireless network providing controlled access to the Internet may be made available in Deloitte's facilities.

## Data Flow Diagram

### Zone Flow – Basic Rules for Zone Flow



<sup>1</sup> As used in this Information Security Statement, "Deloitte" refers to Deloitte LLP and/or its affiliates.



## Data Protection

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### PII

Deloitte personnel receive training on the proper handling of PII. In instances where Deloitte may transmit client PII outside of the Deloitte environment, Deloitte requires transmission of such data in an encrypted format.

### Media Protection

Secure printing is available at multiple locations within each Deloitte office that requires the usage of a Deloitte-issued electronic smartcard badge to enable the print job. Further, Deloitte issues encrypted USB drives to its personnel that meet the encryption standards outlined in Federal Information Processing Standard ("FIPS") 140-2. In addition, software has been deployed to Deloitte-issued IT assets as part of the standard application toolset that allows the creation of encrypted WinZip files (FIPS 197 compliant).

Laptops are encrypted and are required to be physically secured at all times. Physical access to servers is restricted to authorized parties. Magnetic drives are wiped/over-written with a minimum of three passes with a media sanitization tool prior to being released for re-use and disposal.

Deloitte has employed the following methods of PDA protection: 1) forced access PINs; 2) remote wipe in the event of 10 incorrect pin attempts; 3) remote wipe if the PDA is reported as lost or stolen; 4) encryption; and 5) installed mobile device management tool

### Data Destruction

Policies and practices are in place with regard to the destruction of confidential information and PII that vary depending on type of media on which such information is stored. Deloitte is aligned with the National Institute for Standards and Technology's ("NIST") guidelines for media sanitization. For example, hard disks, CD/DVD, USB drives are required to be wiped using a disk cleaning tool, while tapes are required to be destroyed at end-of-life. Paper containing such information is required to be shredded.

## Encryption

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Whole-disk encryption has been deployed on Deloitte-issued laptops. Deloitte's laptops have deployed encryption with the 256-bit Advanced Encryption Standard ("AES") algorithm.

Deloitte has deployed encrypted USB drives intended for use in transporting sensitive or confidential data. This encryption method is FIPS 140-2 compliant.

WinZip is installed on all Deloitte-issued laptops. This encryption method is FIPS 197 compliant.

Additionally, Deloitte Internet email gateways are configured to attempt to transmit all email in an encrypted manner, using opportunistic TLS encryption, if the recipient of the transmission can support such encryption methodology. If TLS is enabled on the recipient email gateway, the email will be encrypted between the Deloitte gateway and the recipient gateway. TLS encryption can also be enforced when agreed with the recipient organization. This encryption method is FIPS 140-2 compliant.

Data in transit is protected by secure TLS using certificates with minimum 2048 bit RSA key and SHA2 signing when using Deloitte secure websites and file transfer services.

<sup>1</sup> As used in this Information Security Statement, "Deloitte" refers to Deloitte LLP and/or its affiliates.



Secure File Transfer Protocol ("SFTP") is an available option for the transfer of client data. SFTP securely encrypts and compresses files during transmission. This encryption method is FIPS 140-2 compliant.

## **Records Management**

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Deloitte maintains and retains records in accordance with applicable legal and regulatory requirements and professional standards. Specific areas of focus include:

- Facilitating compliance with external requirements and internal policies and practices pertaining to record retention;
- Managing recordkeeping critical to the operation of our business and service to our clients;
- Designing and implementing records management technology, tools, and standard processes;
- Coordinating the proper handling of files on legal hold due to legal, tax or regulatory preservation requirements; and
- Maintaining a strong, compliance-focused records and information management governance organization.

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# Appendix B – Biographical Sketch Forms



























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# Appendix C



# Self-Insured Local Medical and Prescription Drug Plans

## Rate Development



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# Overview

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Overall, premium rates will be increasing by varying amounts for 2015. Prescription drug claims experience is running higher than expected. In addition, due to previous Net Fund Balance buy-downs, we recommend utilizing a \$5.0 million Net Fund Balance buy-down in 2015, resulting in a 7.1% prescription drug rate increase. Active medical experience is not credible and is rated consistent with the State Standard PPO plan and the Medicare Plus experience is running better than expected. No Net Fund Balance buy-down will be utilized for the medical plans.

- **Net Fund Balance**
  - The Net Fund Balance remained relatively the same from last year.
- **Prescription Drugs**
  - In 2015, the prescription drug rates are projected to increase approximately 23.0% without utilizing any Net Fund Balance. We are recommending utilizing \$5.0 million of the Net Fund Balance, to achieve a prescription drug rate increase of 7.1% over the 2014 rates.
- **Local Standard Plan & Local State Maintenance Plan (SMP)**
  - The enrollment in the Local SMP has decreased slightly in 2014.
  - As Local Standard and SMP Plans enrollments are small (and not credible on a combined basis), they are rated together for medical premium development.
  - Due to the small enrollment, the reinsurance agreement with the self-funded administrator, WPS, will continue to include specific and aggregate stop loss.
  - Because the experience is not credible we recommend establishing the 2015 rate increase at 11.7%, the same level as the State Standard PPO Plan.
- **Local Medicare Plus Plan**
  - We are recommending an overall medical and prescription drug rate increase of 0.0% from the 2014 rates.

# Prescription Drug Plan

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- The prescription drug program has four components. The largest components are the self-insured active HMO and Medicare HMO prescription drug plans. The other two components are a small self-insured Standard and SMP group and the Medicare program.
- A blended trend rate of 8.2% was employed for developing the 2015 non-Medicare prescription drug rate.
- The aggregate prescription drug rates (active HMO and Medicare) are projected to increase approximately 23.0% without utilizing any Net Fund Balance. We are recommending utilizing \$5.0 million of the Net Fund Balance (\$4.1 million for active HMO and \$0.9 million for Medicare), to achieve a prescription drug rate increase of 7.1% over the 2014 rates.
- The active HMO prescription drug rates are projected to increase 20.4% without utilizing any Net Fund Balance.
  - We are recommending utilizing \$4.1 million of the Net Fund Balance in order to decrease the combined medical and prescription drug Net Fund Balance ratio to the recommend range of 15% – 25%. After utilizing the Net Fund Balance buy-down the prescription drug program rates are estimated to increase by 5.4% for 2015.
- The Medicare prescription drug rates are projected to increase 41.9% without utilizing any Net Fund Balance, due in part to the buy-down that occurred in 2014.
  - For Medicare, we are recommending utilizing \$0.9 million of the Net Fund Balance in order to decrease the combined medical and prescription drug Net Fund Balance ratio to the recommend range of 15% – 25%. After utilizing the Net Fund Balance buy-down the prescription drug program rates are estimated to increase by 19.5% for 2015.
- The Local Standard and SMP Plans continue to have limited enrollment. Since this experience is not credible, we have used the prescription drug rate increase as calculated for the State Standard PPO Plan (before any reserve fund buy-down).



# Prescription Drug Plan Rates

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The recommended rate increase for the Non-Medicare HMO and Standard prescription drug plans is 5.4% after utilizing Net Fund Balance buy-down. The increase for the Medicare prescription drug plan is 19.5% after utilizing Net Fund Balance buy-down.

	<u>Proposed</u> <u>Single Rates</u>	<u>Current</u> <u>Single Rates</u>
<b>Non-Medicare</b>		
<b>HMO</b>	\$ 79.80	\$ 75.70
<b>Standard</b>	145.80	143.00
<b>Medicare</b>		
<b>Total</b>	\$ 206.80	\$ 173.00

# Standard PPO Plan

---

- Due to the small enrollment, the reinsurance agreement will continue to include specific and aggregate stop loss.
- While the experience is not credible (with only approximately 30 members), the Standard PPO Plan experience has been running better than expected with a 6.1% observed annual trend.
  - WPS corporate trend is 10.9% for this population.
- We employed a 9.6% trend assumption in setting the 2015 rates, blending lower industry-wide PPO benchmarks in the 8 – 9% trend range with the WPS trends, similar to State Standard PPO plan.
- Because the experience is not credible we recommend establishing the 2015 rate increase at 11.7%, consistent with the State Standard PPO Plan increase.
- Beginning January 1, 2015 a High Deductible Health Plan (HDHP) will be offered to active members, excluding graduate assistants. Similar to the HMO plans HDHP rate must be 0.875 times the regular rate.



# Standard PPO Plan by Area

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We recommend maintaining current area factors and targeting an overall increase of 11.7% for single rates in 2015.

<u>Area</u>	<u>Region</u>	<u>Area Factor</u>	<u>Proposed Rates</u>	<u>Current Rates</u>
1	Dane	96.0%	\$ 1,205.90	\$ 1,079.40
2	Milwaukee	115.0%	1,408.40	1,259.60
3	Waukesha	105.0%	1,301.20	1,164.70
4	Balance of State	105.0%	1,301.20	1,164.70

# Standard PPO Plan Rates

---

On May 22, 2012 the Board approved the modification of the Standard plans. Beginning January 1, 2013 the Standard PPO offerings include Standard PPO Full-Pay, Standard PPO Coinsurance, and Standard PPO Deductible.

The overall recommended medical and prescription drug rate increase for 2015 is 11.7%.

	<u>Proposed</u> <u>Area 1 (Dane)</u> <u>Single Rates</u>	<u>Current</u> <u>Area 1 (Dane)</u> <u>Single Rates</u>
<b>Standard PPO Full-Pay</b>	\$ 1,205.90	\$ 1,079.40
<b>Standard PPO Coinsurance</b>	1,081.20	967.80
<b>Standard PPO Deductible</b>	1,018.00	911.20
<b>Standard High Deductible Health Plan</b>	1,055.20	N/A

# State Maintenance Plan (SMP)

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- Due to low enrollment, the SMP experience is pooled with the Standard PPO's experience in order to have a more credible group.
- The reinsurance agreement will continue to include specific and aggregate stop loss, due to this low enrollment
- While the experience is not credible (with only approximately 160 members), the SMP experience has been slightly worse than expected with a 12.5% observed annual trend.
  - WPS corporate trend is 11.7% for this population.
- We employed a 9.6% trend assumption in setting the 2015 rates, similar to State Standard PPO plan.
- Because the experience is not credible we recommend establishing the 2015 rate increase at 11.7%, consistent with the State Standard PPO Plan increase.
- Beginning January 1, 2015 a High Deductible Health Plan (HDHP) will be offered to active members, excluding graduate assistants. Similar to the HMO plans, the HDHP rate must be 0.875 times the regular rate.

# State Maintenance Plan Rates

---

On May 22, 2012 the Board approved the modification of the SMP plans. Beginning January 1, 2013 the SMP offerings include SMP Full-Pay Uniform Benefits, SMP Coinsurance Uniform Benefits and SMP Deductible Uniform Benefits.

The overall recommended medical and prescription drug rate increase for 2015 is 11.7%.

	<u>Proposed</u> <u>Single Rates</u>	<u>Current</u> <u>Single Rates</u>
<b>SMP Full-Pay Uniform Benefits</b>	\$ 865.20	\$ 774.40
<b>SMP Coinsurance Uniform Benefits</b>	817.70	735.70
<b>SMP Deductible Uniform Benefits</b>	791.20	708.20
<b>SMP High Deductible Health Plan</b>	757.00	N/A



# Medicare Plus Plan

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- The Medicare Plus Plan experience has been running better than expected with a -13.2% observed annual trend.
  - WPS corporate trend is 4.9% for this population.
- We used a 5.0% medical trend assumption for setting next year's rate, blending the observed and WPS corporate trends, as well as other national industry benchmark trends.
- Overall Medicare Plus plan medical and prescription drug rates are projected to increase 0.0% for 2015.
  - Medical-only rates are projected to decrease approximately 13.5% for 2015.
  - Prescription drug rates are projected to increase approximately 19.5% for 2015, after utilizing a small Net Fund Balance buy-down
- We recommend a 0.0% increase with no explicit medical Net Fund Balance contribution for 2015.

# Medicare Plus Plan Rates

---

On May 22, 2012 the Board approved the modification of the Medicare plans. Beginning January 1, 2013 the Medicare Plus plan replaced the Medicare Standard Plan, Medicare Standard PPP, Medicare Deductible Standard Plan and Medicare Deductible PPP.

The overall recommended rate change from the 2014 Medicare Plus single rate in Area 1 (Dane) is a 0.0% increase.

	<u>Proposed</u>	<u>Current</u>
	<u>Area 1 (Dane)</u>	<u>Area 1 (Dane)</u>
	<u>Single Rates</u>	<u>Single Rates</u>
<u>Medicare</u>		
Medicare Plus	\$ 414.30	\$ 414.30

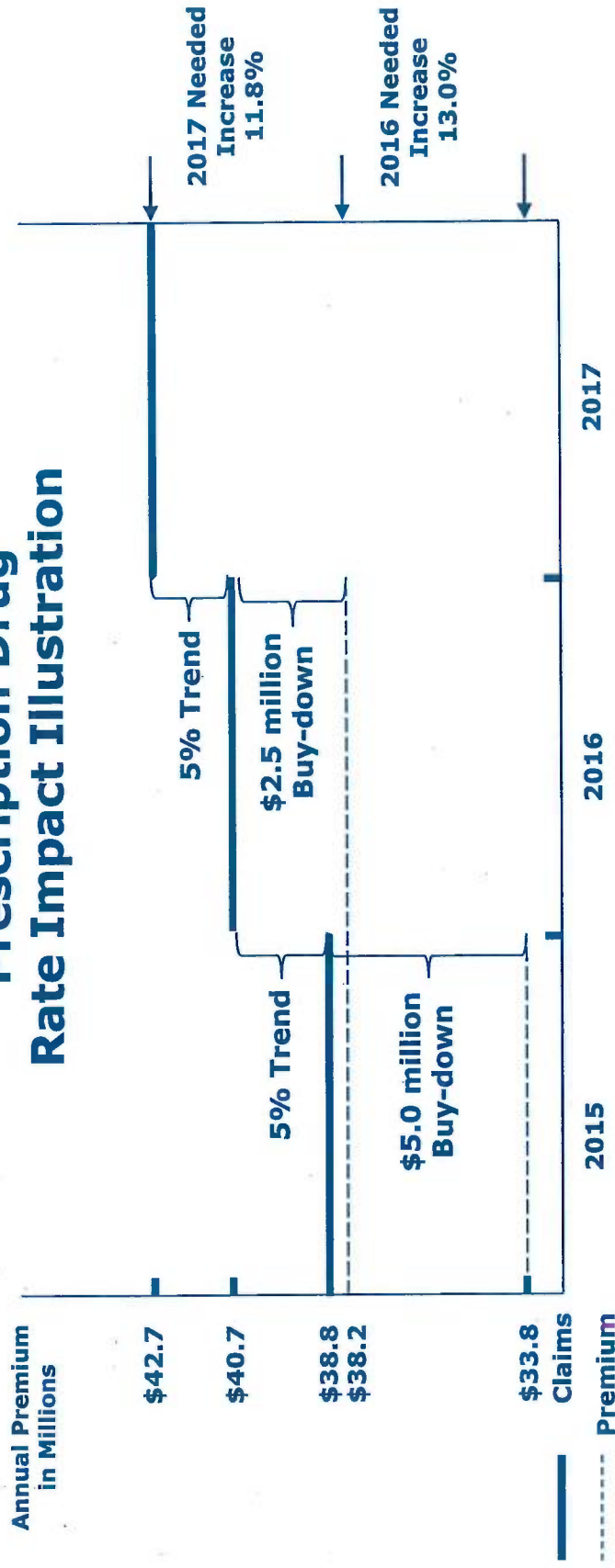
# Net Fund Balance

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- Overall, estimated fund balances remained consistent for the medical plan and increased for the pharmacy plan during the last year.
  - Net Fund Balance includes accrued-but-not-received drug rebates in the amount of \$5.0 million.
- Based on prevailing regulatory capital requirements applicable to the insurance industry, as well as leading practices for self-insured employers, maintaining a Net Fund Balance of 15% to 25% of the annual claims of the Medical and Prescription Drug plans is recommended.
  - At the August 2011 meeting, the Board accepted the use of this benchmark policy.
- The current Net Fund Balance ratio to annual claims for the local program is estimated to be approximately 28.7% for the combined Medical and Prescription Drug plans.
- We discussed several strategies for the Net Fund Balance buy-down for 2015 and chose to recommend a scenario that would reduce the combined ratio to approximately 22.5%.
- We are recommending a 2015 medical buy-down of \$0 and prescription drug buy-down of \$5.0 million utilizing the Net Fund Balance.
- Following this buy-down, the fund balance is expected to be sufficient to protect against unfavorable claim cost and investment experience in 2015, and also provide continued rate stability for 2016 and later.

# Net Fund Balance

## Prescription Drug Rate Impact Illustration



### Observations

- Estimated 5% trend rate for illustration purposes
- Utilizing fund balance is a temporary one-year premium reduction
- Implementing a phased in buy-down approach of \$5.0 million in year 1 and a smaller amount in year 2 will help mitigate the expected premium rate increases



# Net Fund Balance

	6/30/2014	6/30/2013	6/30/2012	6/30/2011	6/30/2010
<b>MEDICAL (in millions)</b>					
Cash Balance <sup>(1)</sup>	1.8	1.8	2.3	3.1	3.3
Incurred But Not Report Claim Liability (IBNR)	(0.2)	(0.2)	(0.3)	(0.2)	(0.3)
<b>Net Fund Balance</b>	<b>1.6</b>	<b>1.6</b>	<b>2.0</b>	<b>2.9</b>	<b>3.0</b>
<b>PHARMACY (in millions)</b>					
Cash Balance	18.4	14.1	14.1	17.6	13.1
Estimated Accrued Drug Rebates	2.4	2.0	1.8	2.2	1.8
Estimated Accrued Medicare Part D Subsidy	0.9	1.7	0.7	N/A	N/A
Navitus Advance	0.6	0.9	1.4	1.4	1.4
ERRP Reimbursement <sup>(2)</sup>	0.0	2.2	2.1	0.0	0.0
<b>Projected Future Cash Balance<sup>(1)</sup></b>	<b>22.2</b>	<b>20.8</b>	<b>20.1</b>	<b>21.2</b>	<b>16.3</b>
<b>IBNR<sup>(3)</sup></b>	<b>(0.8)</b>	<b>(0.7)</b>	<b>(0.7)</b>	<b>(0.5)</b>	<b>(0.5)</b>
<b>Net Fund Balance</b>	<b>21.5</b>	<b>20.1</b>	<b>19.4</b>	<b>20.7</b>	<b>15.8</b>

<sup>(1)</sup> Source: Department of Employee Trust Funds

<sup>(2)</sup> ERRP: Early Retiree Reinsurance Program reimbursement cannot be used as General Revenue.

<sup>(3)</sup> 2014 RX IBNR is estimated at one week of claims

# Appendix I

## Final Rates

# Standard PPO Full-Pay Rate Comparison

Local Standard PPO Full-Pay								
2014 Rates								
	Dane		Milwaukee		Waukesha		Balance of State	
	Single	Family	Single	Family	Single	Family	Single	Family
Claim Cost	\$779.66	\$1,947.95	\$959.86	\$2,398.55	\$864.96	\$2,161.15	\$864.96	\$2,161.15
Rx Claim Cost	\$177.29	\$443.23	\$177.29	\$443.23	\$177.29	\$443.23	\$177.29	\$443.23
Expenses	\$122.45	\$300.72	\$122.45	\$300.72	\$122.45	\$300.72	\$122.45	\$300.72
TOTAL	\$1,079.40	\$2,691.90	\$1,259.60	\$3,142.50	\$1,164.70	\$2,905.10	\$1,164.70	\$2,905.10

Local Standard PPO Full-Pay								
2015 Rates								
	Dane		Milwaukee		Waukesha		Balance of State	
	Single	Family	Single	Family	Single	Family	Single	Family
Claim Cost	\$873.58	\$2,182.31	\$1,075.98	\$2,688.71	\$968.88	\$2,420.41	\$968.88	\$2,420.41
Rx Claim Cost	\$189.27	\$473.18	\$189.27	\$473.18	\$189.27	\$473.18	\$189.27	\$473.18
Expenses <sup>(1)</sup>	\$143.05	\$351.41	\$143.05	\$351.41	\$143.05	\$351.41	\$143.05	\$351.41
TOTAL <sup>(2)</sup>	\$1,205.90	\$3,006.90	\$1,408.30	\$3,513.30	\$1,301.20	\$3,245.00	\$1,301.20	\$3,245.00
Change	11.7%		11.7%		11.7%		11.7%	

(1) Expenses include a per contract per month fee for the following:

- A) ETF Administrative Fee of \$4.15
- B) Wellness Contract Administrative Fee of \$0.80
- C) ACA Reinsurance Fee of \$8.17
- D) WPS Expense Fee of \$187.83, includes specific and aggregate stop loss
- E) Navitus Expense Fee of \$7.90
- F) Expenses are allocated between Single and Family contracts

(2) Total rates must be rounded to the nearest ten cents



# Standard PPO Coinsurance Rate Comparison

Local Standard PPO Coinsurance						
2014 Rates						
	Dane		Milwaukee		Waukesha	
	Single	Family	Single	Family	Single	Family
Claim Cost	\$650.47	\$1,626.97	\$810.07	\$2,025.37	\$725.27	\$1,812.27
Rx Claim Cost	\$194.88	\$487.21	\$194.88	\$487.21	\$194.88	\$487.21
Expenses	\$122.45	\$300.72	\$122.45	\$300.72	\$122.45	\$300.72
<b>TOTAL</b>	<b>\$967.80</b>	<b>\$2,414.90</b>	<b>\$1,127.40</b>	<b>\$2,813.30</b>	<b>\$1,042.60</b>	<b>\$2,600.20</b>

Local Standard PPO Coinsurance						
2015 Rates						
	Dane		Milwaukee		Waukesha	
	Single	Family	Single	Family	Single	Family
Claim Cost	\$730.15	\$1,825.98	\$908.45	\$2,271.08	\$813.75	\$2,032.98
Rx Claim Cost	\$208.00	\$520.01	\$208.00	\$520.01	\$208.00	\$520.01
Expenses <sup>(1)</sup>	\$143.05	\$351.41	\$143.05	\$351.41	\$143.05	\$351.41
<b>TOTAL <sup>(2)</sup></b>	<b>\$1,081.20</b>	<b>\$2,697.40</b>	<b>\$1,259.50</b>	<b>\$3,142.50</b>	<b>\$1,164.80</b>	<b>\$2,904.40</b>
<b>Change</b>	11.7%		11.7%		11.7%	

(1) Expenses include a per contract per month fee for the following:

- A) ETF Administrative Fee of \$4.15
- B) Wellness Contract Administrative Fee of \$0.80
- C) ACA Reinsurance Fee of \$8.17
- D) WPS Expense Fee of \$187.83, includes specific and aggregate stop loss
- E) Navitus Expense Fee of \$7.90
- F) Expenses are allocated between Single and Family contracts

(2) Total rates must be rounded to the nearest ten cents



# Standard PPO Deductible Rate Comparison

Local Standard PPO Deductible						
2014 Rates						
	Dane		Milwaukee		Waukesha	
	Single	Family	Single	Family	Single	Family
Claim Cost	\$593.87	\$1,483.87	\$740.37	\$1,849.67	\$663.17	\$1,658.17
Rx Claim Cost	\$194.88	\$487.21	\$194.88	\$487.21	\$194.88	\$487.21
Expenses	\$122.45	\$300.72	\$122.45	\$300.72	\$122.45	\$300.72
<b>TOTAL</b>	<b>\$911.20</b>	<b>\$2,271.80</b>	<b>\$1,057.70</b>	<b>\$2,637.60</b>	<b>\$980.50</b>	<b>\$2,446.10</b>

Local Standard PPO Deductible						
2015 Rates						
	Dane		Milwaukee		Waukesha	
	Single	Family	Single	Family	Single	Family
Claim Cost	\$666.95	\$1,666.18	\$830.65	\$2,074.78	\$744.35	\$1,860.88
Rx Claim Cost	\$208.00	\$520.01	\$208.00	\$520.01	\$208.00	\$520.01
Expenses <sup>(1)</sup>	\$143.05	\$351.41	\$143.05	\$351.41	\$143.05	\$351.41
<b>TOTAL <sup>(2)</sup></b>	<b>\$1,018.00</b>	<b>\$2,537.60</b>	<b>\$1,181.70</b>	<b>\$2,946.20</b>	<b>\$1,095.40</b>	<b>\$2,732.30</b>
<b>Change</b>	<b>11.7%</b>		<b>11.7%</b>		<b>11.7%</b>	

(1) Expenses include a per contract per month fee for the following:

- A) ETF Administrative Fee of \$4.15
- B) Wellness Contract Administrative Fee of \$0.80
- C) ACA Reinsurance Fee of \$8.17
- D) WPS Expense Fee of \$187.83, includes specific and aggregate stop loss
- E) Navitus Expense Fee of \$7.90
- F) Expenses are allocated between Single and Family contracts

(2) Total rates must be rounded to the nearest ten cents

# State Maintenance Plans Rate Comparison

	Local SMP Full-Pay		Local SMP Coinsurance <sup>(1)</sup>		Local SMP Deductible	
2014 Rates						
	Single	Family	Single	Family	Single	Family
Claim Cost	\$570.36	\$1,426.39	\$531.66	\$1,329.69	\$492.55	\$1,231.66
Rx Claim Cost	\$117.01	\$292.53	\$117.01	\$292.53	\$128.62	\$321.56
Expenses	\$87.03	\$212.18	\$87.03	\$212.18	\$87.03	\$212.18
TOTAL	\$774.40	\$1,931.10	\$735.70	\$1,834.40	\$708.20	\$1,765.40

	Local SMP Full-Pay		Local SMP Coinsurance <sup>(1)</sup>		Local SMP Deductible	
	2015 Rates					
	Single	Family	Single	Family	Single	Family
Claim Cost	\$640.08	\$1,600.42	\$596.78	\$1,492.52	\$553.72	\$1,384.52
Rx Claim Cost	\$124.92	\$312.30	\$124.92	\$312.30	\$137.28	\$343.20
Expenses <sup>(2)</sup>	\$100.20	\$244.28	\$100.20	\$244.28	\$100.20	\$244.28
TOTAL <sup>(3)</sup>	\$865.20	\$2,157.00	\$821.90	\$2,049.10	\$791.20	\$1,972.00
Change	11.7%		11.7%		11.7%	

(1) Local SMP Coinsurance is based on 95% of Local SMP

(2) Expenses include a per contract per month fee for the following:

- A) ETF Administrative Fee of \$4.15
- B) Wellness Contract Administrative Fee of \$0.80
- C) ACA Reinsurance Fee of \$8.17
- D) WPS Expense Fee of \$187.83, includes specific and aggregate stop loss
- E) Navitus Expense Fee of \$7.90
- F) Expenses are allocated between Single and Family contracts

(3) Total rates must be rounded to the nearest ten cents



# Medicare Plus Rate Comparison

Local Medicare Plus					
2014 Rates					
	Single	Family	Family + 1 (Non-Medicare Eligible in)		
			Dane	Milwaukee	Waukesha
Claim Cost	\$218.36	\$436.82	\$998.02	\$1,178.32	\$1,083.42
Rx Claim Cost	\$165.18	\$330.36	\$342.47	\$342.47	\$342.47
Expenses	\$30.76	\$57.92	\$153.21	\$153.21	\$153.21
<b>TOTAL</b>	<b>\$414.30</b>	<b>\$825.10</b>	<b>\$1,493.70</b>	<b>\$1,674.00</b>	<b>\$1,579.10</b>

Local Medicare Plus					
2015 Rates					
	Single	Family	Family + 1 (Non-Medicare Eligible in)		
			Dane	Milwaukee	Waukesha
Claim Cost	\$185.57	\$371.00	\$1,059.15	\$1,261.55	\$1,154.45
Rx Claim Cost	\$199.00	\$397.99	\$388.27	\$388.27	\$388.27
Expenses <sup>(1)</sup>	\$29.73	\$55.31	\$172.78	\$172.78	\$172.78
<b>TOTAL <sup>(2)</sup></b>	<b>\$414.30</b>	<b>\$824.30</b>	<b>\$1,620.20</b>	<b>\$1,822.60</b>	<b>\$1,715.50</b>
<b>Change</b>		<b>0.0%</b>	<b>8.5%</b>	<b>8.9%</b>	<b>8.6%</b>

(1) Expenses include a per contract per month fee for the following:

- A) ETF Administrative Fee of \$4.15
- B) Wellness Contract Administrative Fee of \$0.80
- C) ACA Reinsurance Fee of \$8.17
- D) WPS Expense Fee of \$18.56
- E) Expenses are allocated between Single and Family contracts

(2) Total rates must be rounded to the nearest ten cents

# Appendix II

## Plan Descriptions



# Standard PPO Plan Designs

---

## Medical Benefit:

### Standard PPO that is offered with Full-Pay Uniform Benefits

#### In-Network

- Deductible: \$100 Single, \$200 Family
- 100% coinsurance after deductible satisfied

#### Out-of-Network

- Deductible: \$500 Single, \$1000 Family
- Coinsurance: 80/20%
- Out-of-Pocket Limit (OOPL): \$2000 Single, \$4000 Family

### Standard PPO that is offered with Coinsurance Uniform Benefits

#### In-Network

- Deductible: \$250 Single, \$500 Family
- Coinsurance: 90/10%
- OOPL: \$1000 Single, \$2000 Family

#### Out-of-Network

- Deductible: \$500 Single, \$1000 Family
- Coinsurance: 70/30%
- OOPL: \$2000 Single, \$4000 Family

### Standard PPO that is offered with Deductible Uniform Benefits

#### In-Network

- Deductible: \$500 Single, \$1000 Family
- Coinsurance: 80/20%
- OOPL: \$2000 Single, \$4000 Family

#### Out-of-Network

- Deductible: \$1000 Single, \$2000 Family
- Coinsurance: 70/30%
- OOPL: \$4000 Single, \$8000 Family

# Standard PPO Plan Designs

---

## Drug Benefit (non-specialty):

- \$5 Level 1 Copay
- \$15 Level 2 Copay
- \$35 Level 3 Copay (does not count towards OOP)
- OOP: \$1000 Single, \$2000 Family

## Specialty Medications:

- \$50 Level 4 Copay
- OOP: \$1000 Single, \$2000 Family
  - Copays for Non-Preferred Specialty Drugs do not count towards OOP
  - A reduced Level 4 copay of \$15 is available for Preferred Specialty Drugs obtained at the preferred Participating Pharmacy for Specialty Medications (Diplomat Specialty Pharmacy)

NOTE: Medical, Drug Benefit, and Specialty Medication Out-of-Pocket Limits accumulate separately

# Standard PPO Plan

## High Deductible Health Plan Design

---

### Preferred Provider

- Medical Benefit
  - Deductible: \$1,700 Single, \$3,400 Family (must be met first)
  - 90/10% Coinsurance
  - OOP: \$3,500 Single, \$7,000 Family
    - Combined medical and pharmacy, includes deductible
  - ER Copay \$75
  - Applies to OOP and is limited by OOP
- Drug Benefit (non-specialty)
  - \$5 Level 1 Copay (after deductible is met)
  - \$15 Level 2 Copay (after deductible is met)
  - \$35 Level 3 Copay (after deductible is met)
- Specialty Medications
  - Preferred Pharmacy: \$15 Copay
  - Non-Preferred Pharmacy: \$50 Copay

### Non-Preferred Provider

- Medical Benefit
  - Deductible: \$2,000 Single, \$4,000 Family (must be met first)
  - 70/30% Coinsurance
  - OOP: \$3,800 Single, \$7,600 Family
    - Combined medical and pharmacy, includes deductible
  - ER Copay \$75
  - Applies to OOP and is limited by OOP
- Drug Benefit (non-specialty)
  - \$5 Level 1 Copay (after deductible is met)
  - \$15 Level 2 Copay (after deductible is met)
  - \$35 Level 3 Copay (after deductible is met)
- Specialty Medications
  - Preferred Pharmacy: \$15 Copay
  - Non-Preferred Pharmacy: \$50 Copay



# State Maintenance Plan Designs

---

## Medical Benefit:

### **SMP (Traditional) Full-Pay Uniform Benefits**

- Deductible: \$0
- Coinsurance: 100%  
(except for DME and hearing aids at 80/20%)
- ER Copay \$60

### **SMP Coinsurance Uniform Benefits (Matches State design)**

- Coinsurance: 90/10%  
(DME and hearing aids remain at 80/20%)
- OOP: \$500 Single, \$1000 Family
- ER Copay \$75, 90% coinsurance thereafter to OOP

### **SMP Deductible Uniform Benefits**

- Deductible: \$500 Single, \$1000 Family
- Coinsurance: 100% after deductible satisfied  
(except for DME and hearing aids at 80/20%)
- ER Copay \$60



# State Maintenance Plan Designs

---

## Drug Benefit (non-specialty):

- \$5 Level 1 Copay
- \$15 Level 2 Copay
- \$35 Level 3 Copay (does not count towards OOP)
- OOP: \$410 Single, \$820 Family

## Specialty Medications:

- \$50 Level 4 Copay
- OOP: \$1000 Single, \$2000 Family
  - Copays for Non-Preferred Specialty Drugs do not count towards OOP
  - A reduced Level 4 copay of \$15 is available for Preferred Specialty Drugs obtained at the preferred Participating Pharmacy for Specialty Medications (Diplomat Specialty Pharmacy)

NOTE: Medical, Drug Benefit, and Specialty Medication Out-of-Pocket Limits accumulate separately

# State Maintenance Plan

## High Deductible Health Plan Design

---

- Medical Benefit
  - Deductible: \$1,500 Single, \$3,000 Family (must be met first)
  - 90/10% Coinsurance
  - OOP: \$2,500 Single, \$5,000 Family
    - Combined medical and pharmacy, includes deductible
  - ER Copay \$75
    - Applies to OOP and is limited by OOP
- Drug Benefit (non-specialty)
  - \$5 Level 1 Copay (after deductible is met)
  - \$15 Level 2 Copay (after deductible is met)
  - \$35 Level 3 Copay (after deductible is met)
- Specialty Medications
  - Preferred Pharmacy: \$15 Copay
  - Non-Preferred Pharmacy: \$50 Copay

# Medicare Plus Plan Design

---

## Medical Benefit:

- 100% on Usual, Customary and Reasonable after Medicare

## Drug Benefit (non-specialty):

- \$5 Level 1 Copay
- \$15 Level 2 Copay
- \$35 Level 3 Copay (does not count towards OOP)
- OOP: \$410 Single, \$820 Family

## Specialty Medications:

- \$50 Level 4 Copay
- OOP: \$1000 Single, \$2000 Family
  - Copays for Non-Preferred Specialty Drugs do not count towards OOP
  - A reduced Level 4 copay of \$15 is available for Preferred Specialty Drugs obtained at the preferred Participating Pharmacy for Specialty Medications (Diplomat Specialty Pharmacy)

NOTE: Medical, Drug Benefit, and Specialty Medication Out-of-Pocket Limits accumulate separately

# Appendix III

## Key Metrics



# Key Metrics

Prescription Drug Plans				
	Members	Trend	2015 Claims PMPM <sup>(1)</sup>	2015 PCPM Expenses
HMO	37,289	8.20%	\$ 71.19	\$ 8.20
Medicare	1,948	8.20%	234.75	8.20

Self-Funded Medical Plans				
	Members	Trend	2015 Claims PMPM <sup>(1)</sup>	2015 PCPM Expenses
Standard	29	9.6%	\$ 633.59	\$ 187.83
SMP	157	9.6%	540.56	187.83
Medicare	223	5.0%	185.58	18.56

(1) These numbers are illustrative only and net of fund balance buy-down.

# Key Metrics

---

	<b>Rx Rate Change</b>	<b>Rx Single Rate</b>
HMO Active	5.4%	\$ 79.80
HMO Medicare	19.5%	\$ 206.80



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Deloitte Consulting LLP  
May 30, 2017  
**Appendix D-1** | Page

# Appendix D



## Exhibit III.B

## Project Abstract

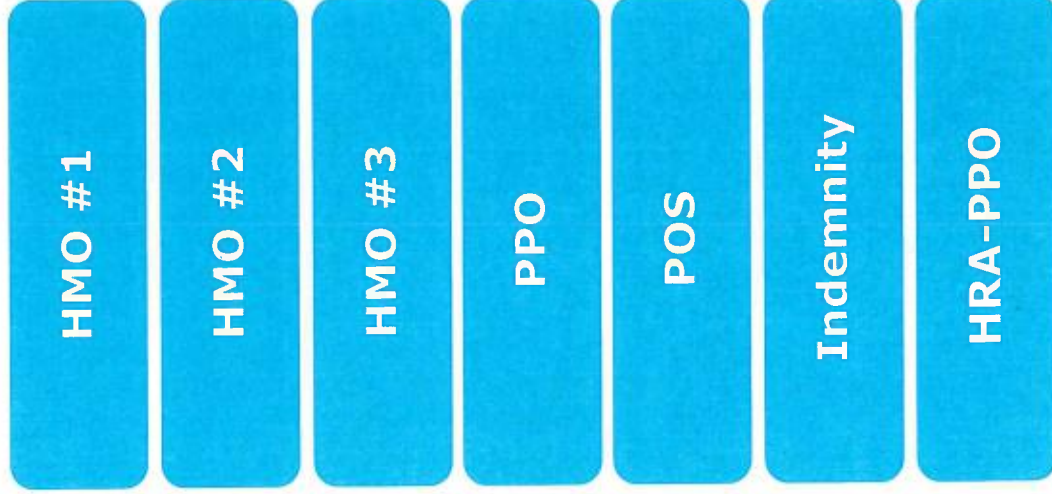
Sample # 1

<b>Project Title:</b>	Custom Network HMO
<b>Name of the Client for whom services were performed:</b>	Multi-campus University System
<b>Client Contact Information:</b>	
<b>Contact's Name:</b>	Confidential
<b>Contact's Title:</b>	Confidential
<b>Phone Number:</b>	Confidential
<b>Email Address:</b>	Confidential
<b>Project Description:</b> Development of a custom network HMO plan for a multi-campus university system. The required information for this project as outlined in RFP Section IV.B.4. is included as an attachment to this Abstract Form, entitled "Sample 1 – Custom Network HMO.pdf"	
<b>Complexity of Issue:</b> The project required an entirely custom approach to HMO provider network development, with the objective of reducing client costs without cost-shifting to employees or reducing benefits, and with minimal disruption. This project required partnership among the client, the client's own health system, the health plan, and major healthcare provider groups and hospitals. Refer to the attachment to this Abstract Form, entitled "Sample 1 – Custom Network HMO."	
<b>Urgency:</b> Described on page 2 of the attachment to this Abstract Form, entitled "Sample 1 – Custom Network HMO"	
<b>Resources:</b> This project involved much of the core team that supports this client on an ongoing basis, including its account Principal, Lead Consultants (strategic focus), and Consultants/Analysts (focus on financial, actuarial, underwriting, data analytics). The initial term of the project extended for approximately 18 months, with periodic ongoing management actions occurring annually. As it was part of our broader overall engagement, project hours were not separately maintained.	
<b>Timeline:</b> Work was initiated approximately November 2009; network modeling, plan cost projections, disruption analyses, and all other factors continued through 2010 for a January 2011 implementation. Additional providers were subsequently added to the network in 2011. In a related action, the original full network HMO was discontinued in 2014.	
<b>Change Orders:</b> None. Some iteration around refinement of original goals was expected and did occur, but there was no change in major goals or approaches.	
<b>Modifications/Corrections:</b> None. Some iteration around refinement of original goals was expected and did occur, but there was no change in major goals or approaches.	
<b>Cost:</b> This engagement, while significant, was done as part of comprehensive program management budgets and not separately billed. However, the first savings from the project exceeded our comprehensive fees, by multiples, and savings continued to accrue in following years.	
Initial Projected Cost: Confidential	
Final Cost: Confidential	
Explanation of Variance: Confidential	
<b>Sample Deliverable:</b> There were numerous key deliverables over the course of the project, and they are highly customized to the client's situation and deemed confidential. However, the attachment to this Abstract Form, entitled "Sample 1 – Custom Network HMO" explains how the project is representative of the issues, objectives, and analyses that were addressed in our deliverables.	

**Sample Project 1**  
**Development of a custom network HMO plan**

# The Beginning: Client Benefits Model in 2010

## Client 2010 Portfolio



## Client Benefits Principles

- **Choice:** Enable employees to find an offering that fits their priorities for cost, benefits and provider relationships
- **Quality:** Provide access to providers of demonstrated quality
- **Cost:** Maintain sustainable costs for employees and the Client
- **Equity:** Same options and costs state-wide, also pay-banded contributions

## Key Circumstances

- HMO #1 had highest enrollment share – 43% of Client employees
- Client’s “managed competition” model used HMO #1 as target plan for employee contributions – HMO #1 cost affects Client’s payment share for other plans

# Origins of the Custom Network HMO Plan

## Motivation

- Client cost trends incompatible with tight budgets during Great Recession – 2010 increase of nearly \$xx million
- Flat salaries and furlough program take benefits cost-shifting off the table
- Solutions must be successfully bargained for half of Client's population

## HMO #1 Cost Driver

- Substantial variation in provider group costs; Client members more aligned with higher-cost providers
- Employees choosing low-cost providers subsidize those choosing high-cost providers

HMO #1 Plan  
Client Enrollment Distribution  
by  
Provider Cost

High	Mid	Low
55%	33%	12%

## Objectives & Options

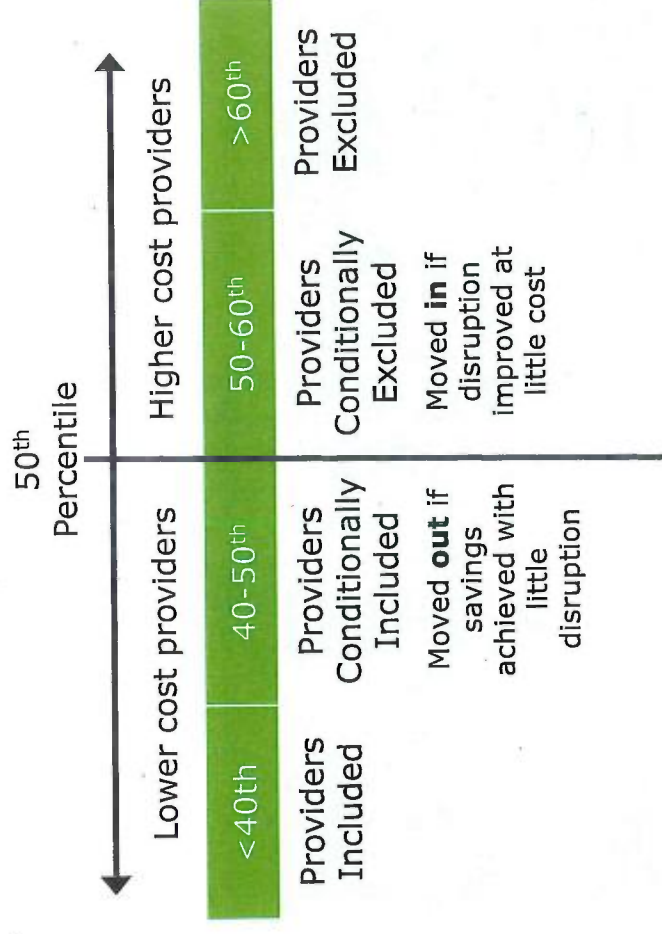
- "No low-cost access to high-cost providers": Make provider costs relevant to employees to influence selection
- **Custom narrow network**; must be available in all areas. Target 10%+ premium differential vs. status quo while keeping same benefits



# Constructing the Network

## Cost and Access

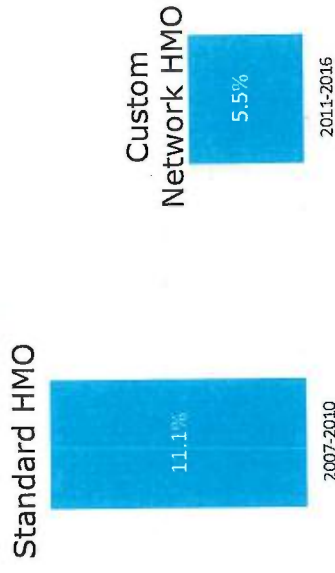
- Cost-basis: Start with the most cost-efficient half in each county
  - Rate + efficiency, risk adjusted
- Disruption sensitivity: Providers close to the median shifted in or out to improve cost/disruption ratio
- Client 's University Health System: Include all to improve plan attraction and secure "family" rate
- Small/underserved counties: All providers included
- Market constraints: Provider Group X limits selective contracting; dominant regional providers affect decisions
- Quality screen: Overall ratings comparable to full network; low-ranking providers supporting underserved populations remain included



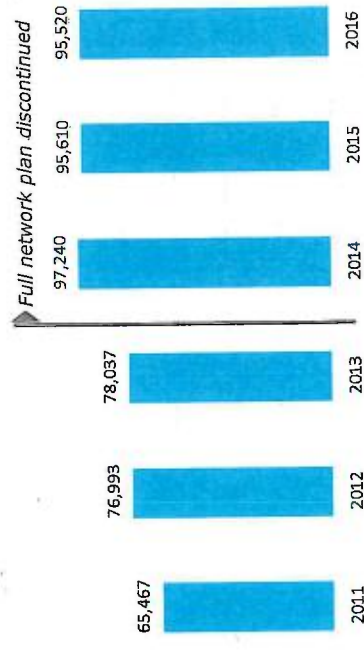
## Results

- ✓ **Savings achieved.** Client saved approximately **\$xxM** in first year while re-setting baseline costs going forward and moderating trend
- ✓ **Benefit level maintained.** Custom Network HMO plan delivers same benefits as other HMOs
- ✓ **Enrollment increased.** Custom Network HMO enrollment increased each year, successfully migrating employees to lower-cost providers; disruption also encouraged enrollment in other low-cost options
- ✓ **Market influenced:** Client was able to leverage certain key providers to offer improved rates in order to be included in custom network
- ✓ **Satisfaction achieved:** Custom Network HMO achieved comparable satisfaction despite share of members who had to change doctors

Average HMO #1  
Premium Increase

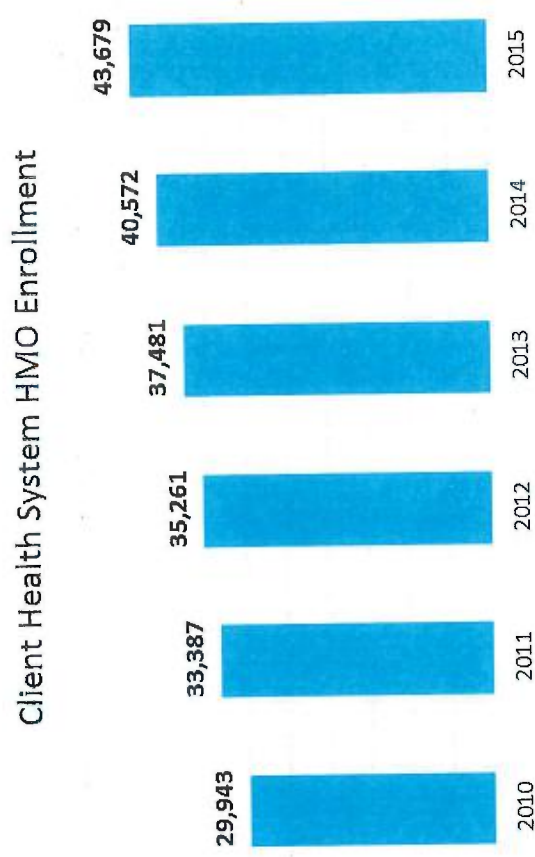


Custom Network HMO Membership



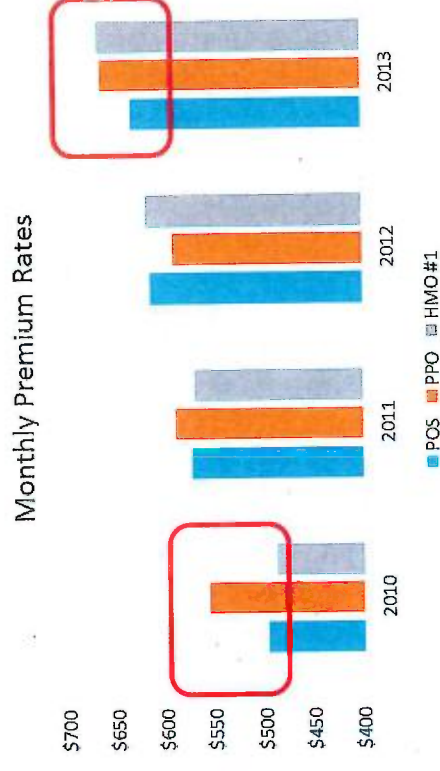
## Effect on Client Health System

- Inclusion of Client Health in Custom Network HMO increased channeling of members to Client's own providers
- Client Health System increased Client HMO patients by 46% in first 5 years, adding \$ tens of millions in revenue
- Revenue and benefit cost savings to Client Medical Centers far exceed discounted reimbursements
- Provided platform for Client Health to develop and deploy Accountable Care models to serve a majority of plan enrollees.

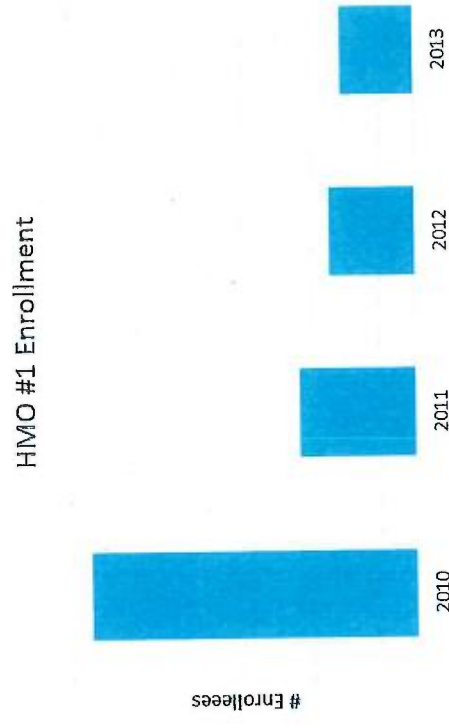


## Ongoing Evolution & Management

- Discontinuing full network HMO #1
  - As subsidy of lower-cost providers removed, cost advantage over PPO and POS was lost
  - Lesser value = lower enrollment
  - With plan termination, employees migrate to Custom Network HMO or maintain their providers in PPO plan for similar cost



- Custom Network HMO network stability
  - Bias toward minimal annual disruption
  - Employ greater provider risk through ACO-type models to maintain beneficial cost profile





# Current State: 2017 Client Benefits Model

Client Principles remain the same

## Client Benefits Principles

- **Choice:** Enable employees to find an offering that fits their priorities for cost, benefits and provider relationships
- **Quality:** Provide access to providers of demonstrated quality
- **Cost:** Maintain sustainable costs for employees and the Client
- **Equity:** Same options and costs state-wide, also pay-banded contributions

## Key Circumstances

- Through Custom Network HMO, Client achieved significant savings carried forward year-over-year without benefit reduction
- Lowest-cost plan has become Client's highest-enrollment plan, delivering low cost and strong satisfaction
- External, high-cost providers remain available with higher employee cost-sharing

## Client 2017 Portfolio

HMO #1

HMO #2

HMO #3

PPO

HSA-PPO

Indemnity

## Project Abstract

Sample # 2

<b>Project Title:</b>	Collective Bargaining Strategic Planning, Negotiation Support, Plan Design Recommendations and Valuation
<b>Name of the Client for whom services were performed:</b>	<ul style="list-style-type: none"> <li>• 2 New York Universities (on 5 year bargaining cycle, latest completed in 2016 &amp; 2017)</li> <li>• Various State and Local Governments in IL (on 5 year bargaining cycle, latest completed in 2014)</li> </ul>
<b>Client Contact Information:</b>	
<b>Contact's Name:</b>	Confidential
<b>Contact's Title:</b>	Confidential
<b>Phone Number:</b>	Confidential
<b>Email Address:</b>	Confidential
<b>Project Description:</b>	
<p>Collective Bargaining Strategic Planning, Negotiation Support, Plan Design Recommendations and Valuation. The required information for this project as outlined in RFP Section IV.B.4. is included as an attachment to this Abstract Form, entitled "Sample 2 – Collective Bargaining Strategic Planning"</p>	
<b>Complexity of Issue:</b>	
<p>Collective bargaining is one of the most critical activities that our clients with bargained groups face. Contracts are often three to five years and involve key workforce personnel as well as stakeholders from across the organization. In every instance, each stakeholder has different goals for the outcomes of the negotiation. Most of the time, benefits are only one piece of the puzzle (among other contract components like retirement, compensation, time off, and work rules). Adding to the complexity is the ever-changing landscape of Health Reform and employer-sponsored benefits. Negotiating competitive benefit contracts can "make or break" the budget and Deloitte Consulting has the tools to provide strategic direction, specific recommendations, and the financial implications of every negotiated benefit.</p>	
<b>Urgency:</b>	
<p>Collective bargaining is, by nature, an urgent exercise. Often times our clients are sitting at the bargaining table and Deloitte Consulting is in the next room ready to perform real-time analysis of proposed contract provisions. Deloitte Consulting is pleased to participate in whatever manner best suits the needs of the Department. The most successful negotiations include a significant amount of pre-planning, scenario modeling, and development of key priorities. Deloitte Consulting can lead or participate these pre-planning sessions in preparation of the negotiations.</p>	
<b>Resources:</b>	
<p>The resources required for collective bargaining depends on the scope of the contract and the parties involved (e.g. multiple contracts vs one). Typically Deloitte Consulting has a project leader and is supported by one benefits consultant and a health actuary. Deloitte Consulting only staffs these projects with team members with prior bargaining experience and substantial health and welfare consulting experience. If needed, Deloitte Consulting can leverage our national breadth to add subject matter experts in fields like wellness and disease management and regulatory affairs, clinical resources like pharmacists and nurses, or industry experts that were business leaders prior to working for Deloitte Consulting.</p> <p>We also bring competitive intelligence. From the largest, multi-tiered state agencies and metropolitan areas to the smallest counties and towns in rural America, Deloitte Consulting serves a broad range of state and local government clients. Our extensive work with Public Sector employers, like the Department, allows us to provide benchmarking and recommendations on leading practices, which are essential to competitively positioning the benefits plan while negotiating.</p> <p>Last, we have the actuarial tools and expertise to provide the quantitative results that ultimately measure the success of collective bargaining. Our Deloitte Medical Rate Model covers both medical and pharmacy benefit designs, and is based on over 40 million active/non-Medicare retiree claims records and seven million Medicare retiree claims records, updated annually. This model allows for handling of detailed plan design provisions and can produce plan relativities and cost change impacts based on even subtle plan design changes. Deloitte Consulting also appreciates that all employers are unique, so we work with our actuaries to provide customized modeling for a spectrum of needs ranging from employee contribution modeling to reserve planning.</p>	

**Exhibit III.B****Project Abstract**

<b>Project Title:</b>	Collective Bargaining Strategic Planning, Negotiation Support, Plan Design Recommendations and Valuation
<b>Timeline:</b>  For the New York University clients, the entire planning and negotiations with the AAUP Faculty Union started in April 2016 and extended through early September. Deloitte Consulting can accommodate any required schedule.	
<b>Change Orders:</b>  Not applicable	
<b>Modifications/Corrections:</b>  Not applicable	
<b>Cost:</b>  Confidential. Deloitte Consulting will always provide work within the agreed upon scope of work or present the Department the opportunity to review proposed out-of-scope fees before performing the work.	
Initial Projected Cost: <u>Confidential</u>  Final Cost: <u>Confidential</u>  Explanation of Variance:	
<b>Sample Deliverable:</b>  Since collective bargaining is an ongoing practice, there are numerous key deliverables over the course of the project, and they are highly customized to the client's situation and deemed confidential. However, the attachment to this Abstract Form, entitled "Sample 2 – Collective Bargaining Strategic Planning" is a representative sample.	

Sample 2 - Collective B arguing Strategic Planning

**Deloitte.**

**Client ABC  
Health Care Proposal**

**Deloitte Consulting LLP**



## **Discussion Agenda**

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Executive Summary	3
Historical Plan Designs and Cost Summaries	5
Impact of Health Care Reform	17
Benchmarking	21
Client ABC Proposal	26

## Executive Summary

## Executive Summary

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- Today, Client ABC spends over \$289,000,000 for health coverage. This is almost a \$100,000,000 increase since 2002.
- The average cost for medical benefits is over \$13,000 per employee per year, and represents a significant expenditure.
- Employee contributions at Client ABC continue to be significantly less than the market, although coverage is more generous.
  - HMO members pay approximately 70% less in contributions on average than local public sector HMO comparators; PPO members pay 43% less.
  - Compared to private sector, Client ABC's contributions are a small fraction of what a private sector employee would pay for either HMO or PPO coverage.
- Dental and vision coverage is offered at no cost to employees. Dental designs have not been changed since 2004, and copays for vision exams have not been changed since before 1995.
- Health Care Reform creates new fees that represent millions of dollars in new liabilities to Client ABC (\$7,000,000 in 2014, increasing to over \$24,000,000 in 2018).

## Historical Plan Designs & Cost Summaries



## Medical

## Total Client ABC Medical/Rx Costs

- Client ABC's total health costs (medical + prescription drugs) have continued to rise, increasing 49% since the 2002 plan year. When adjusted for the decrease in enrollment, the increase in the cost per employee is actually higher at 71%.
- Employee cost share has remained stable between 5% and 6% for the last 5 years.

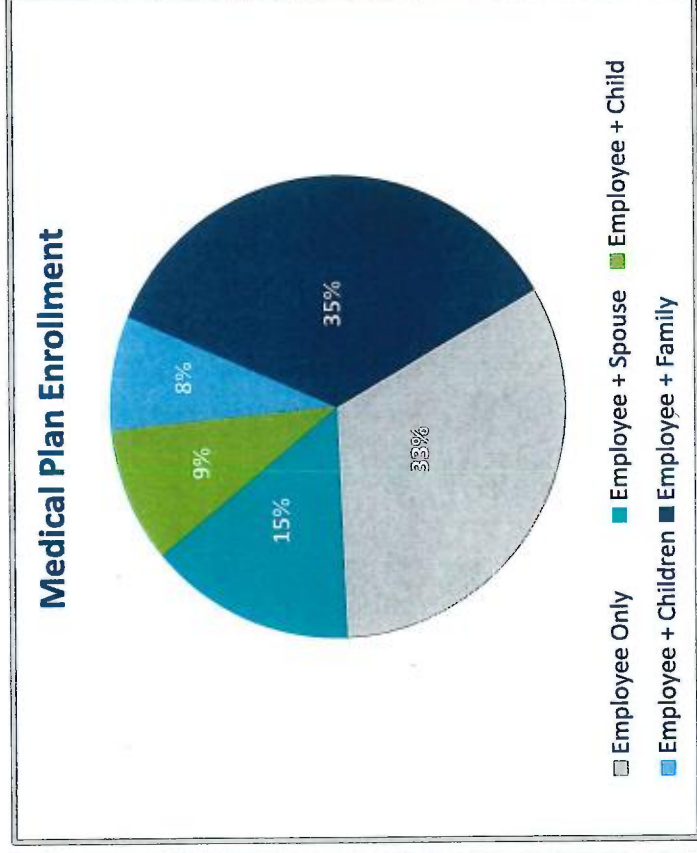
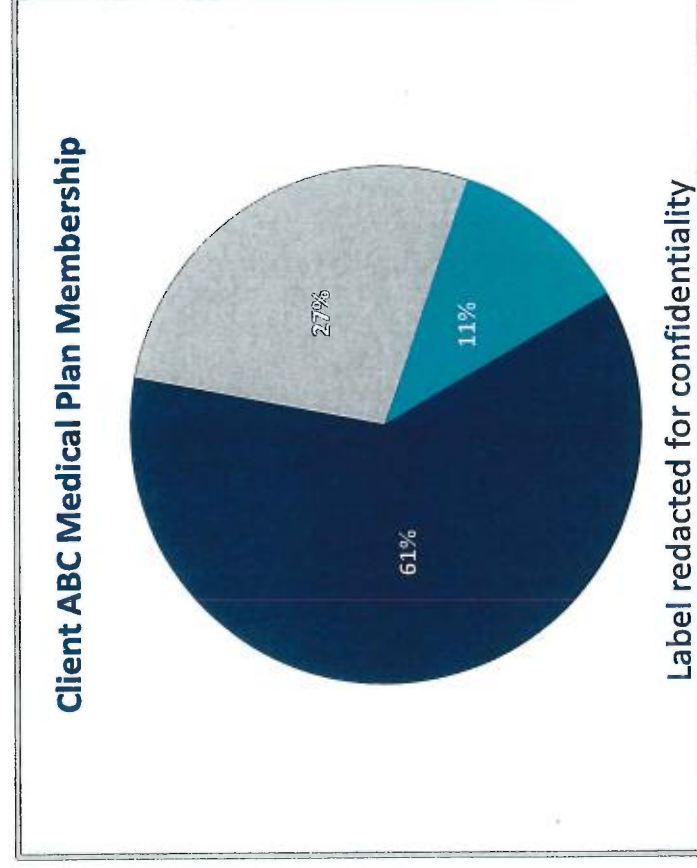
Plan Year	12/1/02 - 11/30/03	12/1/03 - 11/30/04	12/1/04 - 11/30/05	12/1/05 - 11/30/06	12/1/06 - 11/30/07	12/1/07 - 11/30/08	12/1/08 - 11/30/09	12/1/09 - 11/30/10	12/1/10 - 11/30/11	12/1/11 - 11/30/12
Total Employees										
Employee Cost Share										
Client ABC Cost Share										
Total Health Care Plan Cost <sup>1</sup>										
PEPY Cost										
Employee Cost Share										

Redacted for confidentiality

## Current Medical Plan Enrollment

Employee plan selections are a major driver of costs:

- 72% (or almost 3/4) of Client ABC employee select an HMO, with the majority of employees selecting the most cost effective of plan offerings.
- 1/3 of employees select employee only coverage – meaning 2/3 of employees cover their family members. The more people covered under the plan – the higher Client ABC's costs.



## Current Medical/Rx Plan Offerings

Client ABC currently offers employees four choices, 1 PPO, 2 identical HMOs and no coverage.

	Current PPO		Current HMOs
	In-network	Out-of-Network	In-network Only
Physician Office Visits			
* PCP Office Visits (per visit)	90% after:	60%	\$10
- Preventive Services	\$25	60%	\$10
- Illness/Accident Services	\$25	60%	\$10
* Spec Office Visits (per visit)	\$25		
Rx - Retail			
* Generic	\$7	\$7	\$7
* Brand Formulary	\$15	\$15	\$15
* Brand Non-Formulary	\$25	\$25	\$25
* Specialty	No specialty tier	No specialty tier	No specialty tier
Mail Order			
* All Tiers	2X Retail (No specialty tier)	2X Retail (No specialty tier)	2X Retail (No specialty tier)
Annual Deductible			
* Single	\$125	\$250	None
* Family	\$250	\$500	None
Hospital Services			
* Hospital	90%	60%	100%
- Per Admit or Visit Copay	None	None	\$100
* Urgent Care	90%	60%	\$10
* Emergency Room Visit (per visit; waived if admitted)	\$40	\$40	\$40
Out of Pocket Maximum	Excludes deductible and Rx copays		Excludes Rx copays
* Single	\$1,500	\$3,000	\$1,500
* Family	\$3,000	\$6,000	\$3,000



## Historical Medical/Rx Monthly Premiums

All plans continue to see increases in cost each year. Since 2002, Plan 1 has increased by 146% for single coverage and both Plan 2 and the Plan 3 have increased by over 50% for all coverage tiers.

Premium Rates	12/1/02 - 11/30/03	12/1/03 - 11/30/04	12/1/04 - 11/30/05	12/1/05 - 11/30/06	12/1/06 - 11/30/07	12/1/07 - 11/30/08	12/1/08 - 11/30/09	12/1/09 - 11/30/10	12/1/10 - 11/30/11	12/1/11 - 11/30/12	12/1/12 - 11/30/13	% Increase PY03-PY12
Single												
Employee + 1												
Family												
Single												
Employee + 1												
Family												
Single												
Employee + 1												
Family												

Rates redacted for confidentiality

## Current Employee Medical/Rx Contributions

Client ABC employee contribution rates vary by plan and tier, and are significantly lower than local and national comparators for coverage that also is more generous.

### Current Contributions

Employee Contributions <sup>1</sup>	HMO	PPO
Employee Only	0.50%	1.50%
Employee + Spouse	1.00%	2.00%
Employee + Child(ren)	0.75%	1.75%
Employee + Family	1.25%	2.25%

### Monthly Contribution Example

	\$30,000 salary	\$60,000 salary	\$90,000 salary
HMO			
Single	\$12.50	\$25.00	\$37.50
Family	\$31.25	\$62.50	\$93.75
PPO			
Single	\$37.50	\$75.00	\$112.50
Family	\$56.25	\$112.50	\$168.75

#### Notes:

- Contribution is equal to the stated percentage of an employees budgetary salary. Both HMO plans have the same contribution percentages.

## Dental & Vision

## Total Dental Plan Costs

Client ABC spends over \$7,000,000 dollars per year on employee dental benefits. Employees have never paid an employee contribution for this coverage.

Plan Year	12/1/07- 11/30/08	12/1/08 - 11/30/09	12/1/09- 11/30/10	12/1/10 - 11/30/11	12/1/11- 11/30/12
Employee Cost Share					
Client ABC Cost Share					
<b>Total Health Care Plan Cost</b>					
Employee Cost Share					

Rates redacted for confidentiality



Total Vision Plan Costs

Client ABC spends over \$2,000,000 dollars per year on vision benefits. Employees have never paid an employee contribution for this coverage.

Plan Year	12/1/07- 11/30/08	12/1/08 - 11/30/09	12/1/09- 11/30/10	12/1/10 -- 11/30/11	12/1/11- 11/30/12
Employee Cost Share					
Client ABC Cost Share					
Rates redacted for confidentiality					
Total Health Care Plan Cost					
Employee Cost Share					

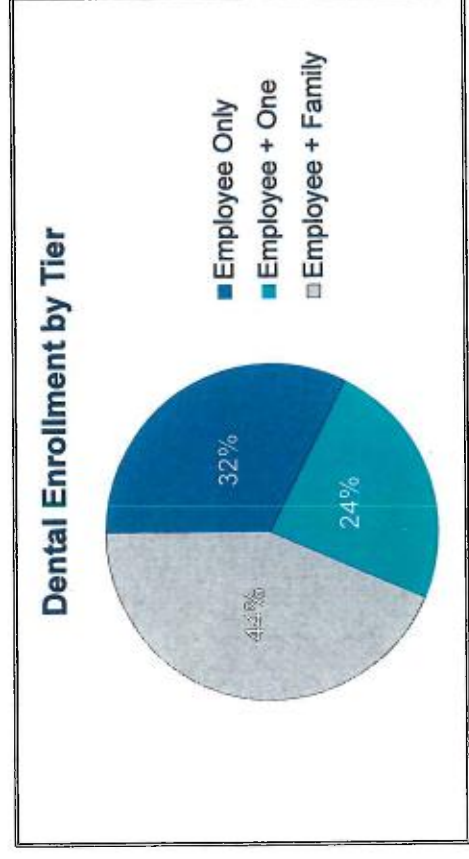
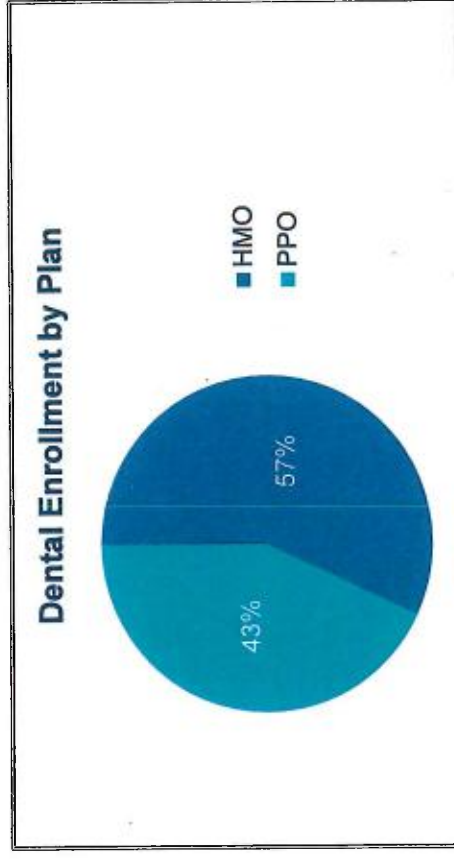
## Current Dental Plan Offerings

Client ABC currently offers two dental plans, a PPO option and an HMO option. The HMO option reimburses per a defined schedule (which is a set amount the plan pays), while the PPO has separate in-network and out-of-network benefits.

### Current Dental PPO Plan

Services	Dental PPO	
	In-network	Out-of-Network
■ Preventive	100%	80%
■ X-ray	80%	60%
■ Minor Restorative	80%	60%
■ Major Restorative	50%	50%
■ Endodontics	80%	60%
■ Periodontics	80%	60%
■ Oral Surgery	80%	60%
■ Implants	50%	50%
■ Orthodontia	50% up to lifetime max	
Program Details		
■ Annual Deductible (single/family)	\$25/\$100	\$50/\$200
■ Annual Maximum		\$1,500
■ Orthodontia Lifetime Maximum		\$1,250

### Dental Plan Enrollment



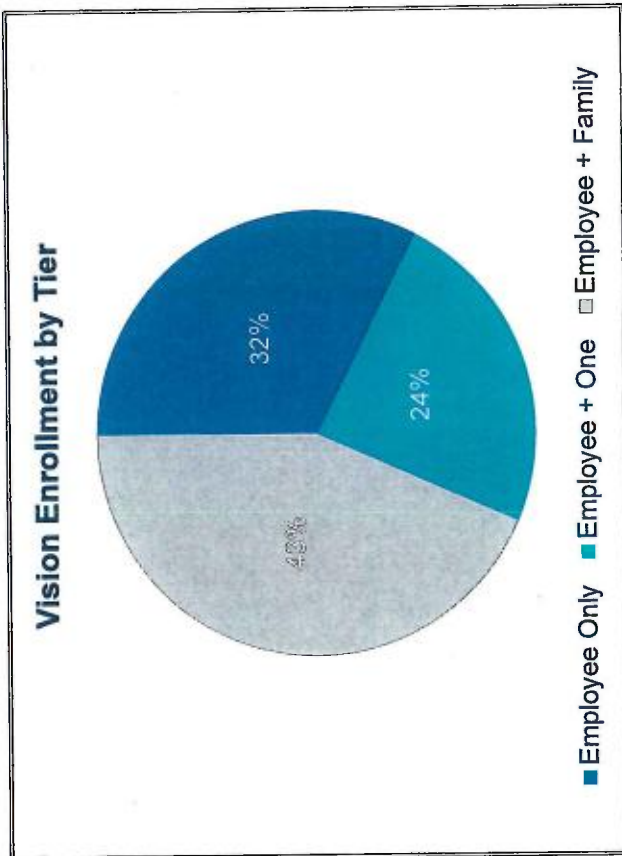
## Current Vision Plan Offerings

Client ABC currently provides its employees a vision plan through EyeMed. The plan has very few copayments and a rich plan design.

### Current Vision Plan

	Vision Plan
<b>Eye Exams</b>	In-network
■ Exam with Dilation	\$0
■ Contact Lens Fit and Follow-Up	\$0
<b>Prescription Glass (Lenses)</b>	
■ Single Vision	\$0
■ Lined Bifocal	\$0
■ Lined Trifocal	\$0
<b>Lens Options</b>	
■ Tint (Solid & Gradient)	\$0
■ UV Coating	\$12
■ Standard Plastic Scratch-Coating	\$12
■ Standard Polycarbonate	\$35
■ Standard Anti-Reflective	\$40
■ Other Add-Ons & Services	30% off retail price
<b>Prescription Glasses (Frames)</b>	
■ Allowance	\$100
■ Discount above allowance	20%
<b>Contact Lenses</b>	
■ Allowance	\$100
<b>Laser Vision Correction</b>	
■ Discount off regular price	15% off retail; 5% off promotional
<b>Frequency</b>	
■ Frames	Every 24 months
■ Exams	Every 12 months
■ Contact Lenses	Every 12 months

### Vision Plan Enrollment



## Impact of Health Care Reform



## Health Care Reform Implications

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The implementation of Health Care Reform will further increase cost pressures on Client ABC.

### 2011

Client ABC has complied with all market reform requirements for grandfathered plans.

### 2014

Client ABC will face additional taxes/fees created by Reform rules - estimated to be \$7,100,000.

### 2015

The Employer Mandate imposes minimum requirements for employer sponsored health plans that may require Client ABC to expand plan coverage. The estimated cost of complying with all requirements in 2015 is projected at \$10,900,000.

### 2018

Assuming no discretionary changes in plan design, the Excise Tax / "Cadillac Tax" effective in 2018 is expected to be \$12,800,000. Client ABC's total Health Reform liability is estimated to be \$24,100,000.

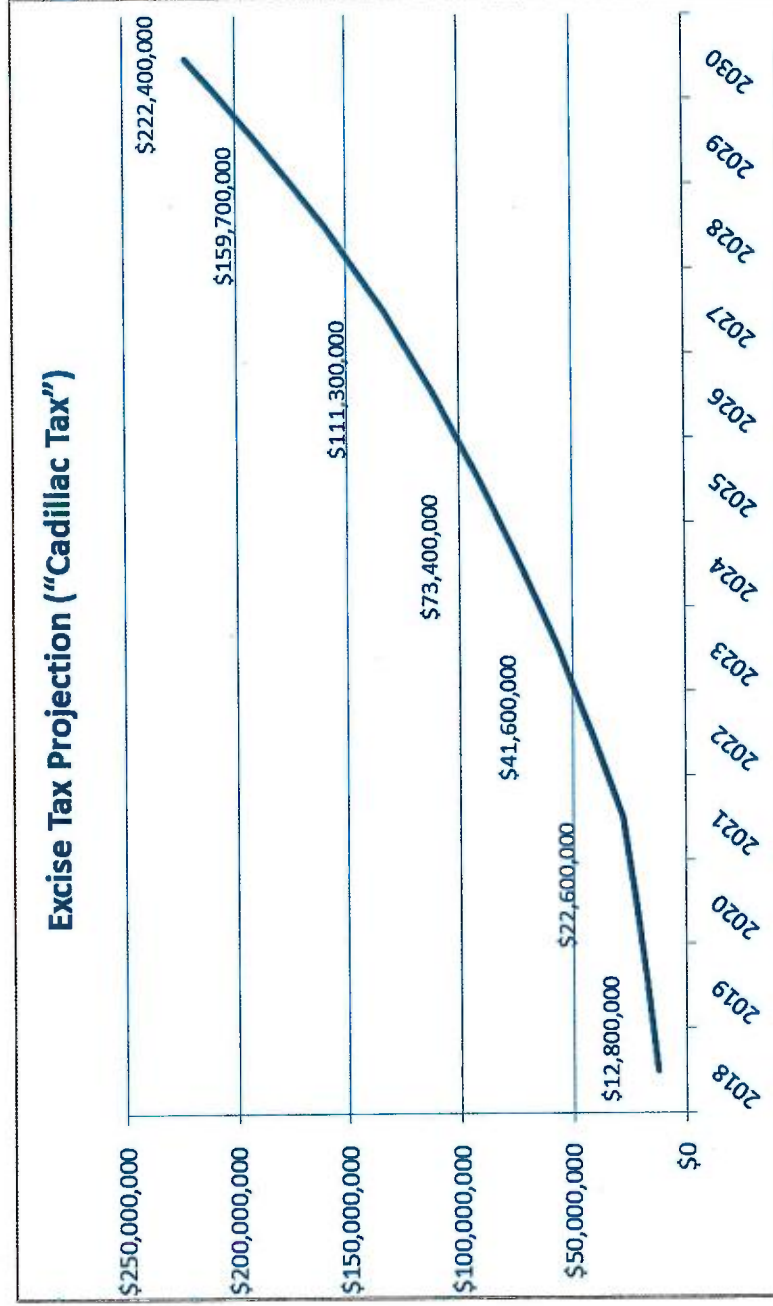
## Financial Impacts of Health Care Reform

Health Care Reform is expected to add over \$7,000,000 in cost to Client ABC's benefits in 2014 and \$24,000,000 in 2018.

Health Care Reform Provisions <sup>1</sup>	2014	2015	2016	2017	2018
Patient-Centered Outcomes Research Institute (PCORI) Fees	\$100,000	\$100,000	\$100,000	\$100,000	\$100,000
Individual Mandate	--	\$4,200,000	\$4,500,000	\$4,900,000	\$5,300,000
Transitional Reinsurance Program Assessment Fees	\$3,400,000	\$2,000,000	\$800,000	--	--
Automatic Enrollment <sup>2</sup>	--	\$800,000	\$900,000	\$1,000,000	\$1,100,000
Health Insurance Industry Fees	\$3,600,000	\$3,800,000	\$4,100,000	\$4,400,000	\$4,800,000
High Value Plan Tax ("Cadillac Tax")	--	--	--	--	\$12,800,000
<b>Total</b>	<b>\$7,100,000</b>	<b>\$10,900,000</b>	<b>\$10,400,000</b>	<b>\$10,400,000</b>	<b>\$24,100,000</b>

## Financial Impacts of Health Care Reform

Client ABC will incur a Cadillac Tax of over \$12,000,000 in 2018 based on current plan designs. The tax is estimated to inflate to over \$222,000,000 by 2030.



- The projection assumes that the benchmarks used to calculate the excise tax are indexed using the Consumer Price Index
- The projection assumes no adjustments for demographics
- The projection assumes no changes to current plan design
- The projection assumes medical trend rate of 7.45% and marginal tax rate of 35%

## Benchmarking



## Current Medical HMO Plan Design Benchmarking

Compared to local benchmarks, the Client ABC HMO has lower office visits, drug copayments, and employee contributions.

Key Provisions		Client ABC HMOs		Benchmarks redacted for confidentiality			
Estimate Employee Monthly Contributions (\$68.9k annual salary – average salary)	Employee EE+Spouse EE+Child/ren Family	\$28.71 \$57.42 \$43.06 \$71.77	\$119.00 \$215.00 \$251.00 \$251.00	\$114.83 \$126.32 \$143.54 \$143.54	\$74.19 \$114.00 \$142.19 \$142.19	\$74.00 \$314.00 \$314.00 \$314.00	
Annual Deductible-Single/Family	In-Network	No deductible	No deductible	No deductible	No deductible	Not Available	Not Available
Annual Out-of-Pocket Maximum-Single/Family	In-Network	\$1,500/\$3,000	No OOP Max	No OOP Max	No OOP Max	Not Available	Not Available
Hospital Inpatient Benefits	In-Network	\$100 copay / admit	\$350 / visit	\$200 / visit	\$20 / visit	\$200 / visit	
Outpatient Services	In-Network	\$100 / visit	\$250 / visit	\$175 / visit	\$20 / visit	\$100 copay / visit	
Office Visit	In-Network	\$10 / visit	\$20 / visit	\$30 / visit	\$20 / visit	\$15 / visit	
Specialist Visit	In-Network	\$10 / visit	\$30 / visit	\$30 / visit	\$20 / visit	\$35 / visit	
ER Visit	Copay	\$40	\$250	\$125	\$100	\$100	
Pharmacy (Retail/Mail)	Generic Preferred Brand Non-Preferred Brand Specialty Drugs	\$7/\$14 \$15/\$30 \$25/\$50 No Specialty Tier	\$8/\$20 <sup>3</sup> \$26/\$65 <sup>3</sup> \$50/\$125 <sup>3</sup> No Specialty Tier	\$10/\$15 \$25/\$40 \$40/\$60 No Specialty Tier	\$10/\$20 \$30/\$60 \$45/Not Covered No Specialty Tier	\$10/\$20 \$25/\$50 \$45/\$80 Not available	

## Current Medical PPO Plan Design Benchmarking

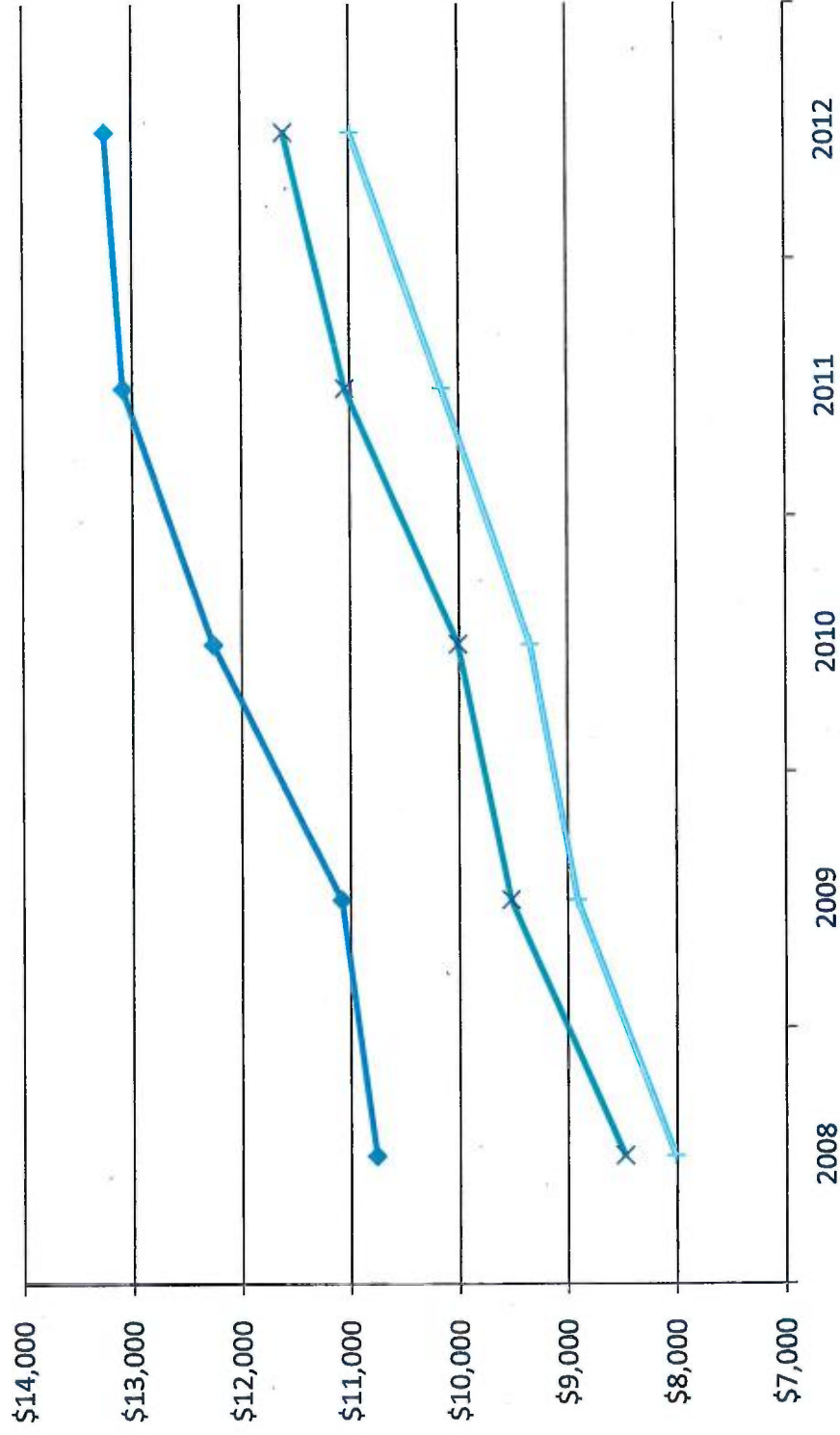
Compared to local benchmarks, the Client ABC PPO has significantly lower single and family deductibles, lower drug copayments, and employee contributions.

Key Provisions		Client ABC PPO		Benchmarks redacted for confidentiality				
Estimated Employee Contributions (\$68.9k annual salary)	Employee EE+Spouse EE+Child/ren Family	\$86.12 \$114.83 \$100.48 \$129.19	\$144.00 \$393.00 \$431.00 \$431.00	\$126.32 \$143.54 \$160.77 \$160.77	\$74.19 \$114.00 \$142.19 \$142.19	\$105.00 \$195.00 \$195.00 \$195.00	\$100.00 \$328.00 \$328.00 \$328.00	
Annual Deductible-Single/Family	In-Network Out-of-Network	\$125/\$250 \$250/\$500	\$375-\$525/2.5X EE <sup>3</sup>	\$400/\$1,200 \$800/\$2,400	\$350/\$1,500 \$1,500/\$3,000	\$350/\$700 \$1,000/\$2,000	\$500/\$1,000 \$600/\$1,500	
Annual Out-of-Pocket Maximum-Single/Family	In-Network Out-of-Network	\$1,500/\$3,000 \$3,000/\$6,000	\$1,500/\$3,750 \$6,000/\$12,000	\$2,400/\$4,800 N/A	\$1,500/\$3,500 \$3,000/\$7,000	\$1,000/\$2,000 \$2,000/\$4,000	\$2,000/\$4,000 \$3,000/\$7,000	
Hospital Inpatient Benefits	In-Network Out-of-Network	90% 60%	85% + \$100 ded 60% + \$500 ded	80% 50%	90% 60%	90% 70%	80% or \$300 copay / admit 70%	
Outpatient Services	In-Network Out-of-Network	90% 60%	85% 60%	80% 50%	90% 60%	90% 70%	Not Available	
Office visits	In-Network Out-of-Network	\$25 copay / 90% 60%	85% 60%	\$25 copay / visit 50%	\$25 copay / visit 60%	90% 70% + \$25 copay	\$20 copay / visit or 80% 70%	
Specialist Visits	In-Network Out-of-Network	\$25 copay / 90% 60%	85% 60%	\$25 copay / visit 50%	\$35 copay / visit 60%	90% 70% + \$25 copay	\$40 copay	
ER Visits	Copay Coverage after copay	\$40 100%	\$450 100%	\$125 100%	\$100 90%	\$100 100%	\$100 100%	
Pharmacy (Retail/Mail)	Generic Preferred Brand Non-Preferred Brand Specialty	\$7/\$14 \$15/\$30 \$25/\$50 No Specialty Tier	\$10/\$25 <sup>5</sup> \$30/\$75 <sup>5</sup> \$60/\$150 <sup>5</sup> No Specialty Tier	\$10/\$15 \$25/\$40 \$40/\$60 No Specialty Tier	\$10/\$20 \$30/\$60 \$45/\$100 No Specialty Tier	\$5/\$10 <sup>4</sup> \$15/\$30 <sup>4</sup> \$35/\$70 <sup>4</sup> No Specialty Tier	\$10/\$20 \$25/\$50 \$45/\$80 Not Available	

## Comparison of Total Medical/Rx Costs to Market

Client ABC's medical plan cost per employee continues to be significantly higher than national Government and local comparator figures.

Client ABC Total Per Employee Cost vs Market 2007-2012



Labels redacted for confidentiality



## Comparison of Medical/Rx Costs to Market (By Plan)

The table below outlines historical annual plan cost per employee. Both the PPO and HMO are higher than normative data in each year.

	12/1/07-11/30/08	12/1/08-11/30/09	12/1/09-11/30/10	12/1/10-11/30/11	12/1/11-11/30/12
	Government	Midwest	Government	Midwest	Government
	Midwest	Government	Midwest	Government	Midwest
<b>PPO</b>					
□ Client ABC					
□ Benchmark					
<b>HMO</b>					
□ Client ABC					
□ Benchmark					
<b>Combined Totals</b>					
□ Client ABC					
□ Benchmark					

Rates redacted for confidentiality



## Client ABC Proposal

# Medical Proposal

## Proposed Changes to Classic Blue

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Client ABC proposal includes offering two medical plans to employees, PPO and HMO.

- Current HMO 1 is more expensive than HMO 2, yet employee contributions are the same.
- Elimination of HMO 1 will have minimal disruption:
  - HMO 1 is more expensive than the PPO and HMO 2, but employee contributions are the same between the two HMO plans.
  - 84% of employees selecting an HMO choose HMO 2.

## Proposed HMO Plan Design

The proposed HMO plan design will align more closely to local and public sector comparators.

	Current HMOs	Proposed HMO
	In-network Only	In-network Only
Physician Office Visits		
* PCP Office Visits (per visit)		
- Preventive Services	\$10	\$0
- Illness/Accident Services	\$10	\$25
* Spec Office Visits (per visit)	\$10	\$50
Rx - Retail		
* Generic	\$7	\$10
* Brand Formulary	\$15	\$30
* Brand Non-Formulary	\$25	\$60
* Specialty	No specialty tier	\$100
Mail Order		
* All Tiers	2X Retail (No specialty tier)	2.5X Retail
Annual Deductible		
* Single	None	None
* Family	None	None
Hospital Services		
* Hospital	100%	100%
- Per Admit or Visit Copay	\$100	\$100
* Urgent Care	\$10	\$10
* Emergency Room Visit (waived if admitted)	\$40	\$100
Out of Pocket Maximum	Excludes Rx copays	
* Single	\$1,500	\$1,600
* Family	\$3,000	\$3,200



## Proposed PPO Plan Design

The proposed PPO plan design will align more closely to local and public sector comparators.

	Current PPO		Proposed PPO	
	In-network	Out-of-Network	In-network	Out-of-Network
<b>Physician Office Visits</b>				
* PCP Office Visits (per visit)				
- Preventive Services	90% after: \$25	60%	100%	60%
- Illness/Accident Services	\$25	60%	90% after \$25	60%
* Spec Office Visits (per visit)	\$25	60%	90% after \$50	60%
<b>Rx - Retail</b>				
* Generic	\$7	\$7	\$10	
* Brand Formulary	\$15	\$15	\$30	Member pays the difference between INN/OON
* Brand Non-Formulary	\$25	\$25	\$60	
* Specialty	No specialty tier	No specialty tier	\$100	
<b>Mail Order</b>				
* All Tiers	2X Retail (No specialty tier)	2X Retail (No specialty tier)	2.5X Retail	Member pays the difference between INN/OON
<b>Annual Deductible</b>				
* Single	\$125	\$250	\$450	\$900
* Family	\$250	\$500	\$900	\$1,800
<b>Hospital Services</b>				
* Hospital	90%	60%	90%	60%
- Per Admit or Visit Copay	None	None	None	None
* Urgent Care	90%	60%	90%	60%
* Emergency Room Visit (waived if admitted)	\$40	\$40	\$100	\$100
<b>Out of Pocket Maximum</b>	<i>Excludes deductible and Rx copays</i>			
* Single	\$1,500	\$3,000	\$1,600	\$3,200
* Family	\$3,000	\$6,000	\$3,200	\$6,400

## Wellness Program

Client ABC's wellness program will incent participation and reward healthy behaviors.

		Goal / Achievement Based	
Participation Oriented		Phase 1	Phase 2
<b>Program Basis</b>	<ul style="list-style-type: none"> <li>■ Incentive Based                             <ul style="list-style-type: none"> <li>- Employee \$50/month</li> <li>- Employee + Spouse \$100/month</li> <li>- Employee + Children \$50/month</li> <li>- Employee + Family \$100/month</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>■ Incentive Based                             <ul style="list-style-type: none"> <li>- Employee \$50/month</li> <li>- Employee + Spouse \$100/month</li> <li>- Employee + Children \$50/month</li> <li>- Employee + Family \$100/month</li> </ul> </li> </ul>	
<b>Participation Based Activity</b>	<p>Creation of Baseline Health Score:</p> <ul style="list-style-type: none"> <li>■ Complete Health Risk Assessment</li> <li>■ Complete Biometrics</li> </ul>	<p>Update of Baseline Health Score:</p> <ul style="list-style-type: none"> <li>■ Complete Health Assessment</li> <li>■ Complete Biometrics</li> </ul>	
<b>Programs Offered</b>	<ul style="list-style-type: none"> <li>■ Lifestyle &amp; disease management coaching                             <ul style="list-style-type: none"> <li>○ voluntary: receiving incentives is not dependent on participation</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>■ Lifestyle &amp; disease management coaching                             <ul style="list-style-type: none"> <li>○ mandatory: must participate to receive incentives</li> </ul> </li> </ul>	
<b>Delivery Channel</b>	Through vendor	Contracted with outside vendor	
<b>Incentive</b>	Premium reduction	Premium reduction	
<b>Eligibility</b>	Employee and spouse	Employee and spouse	

## How Premium Incentive Works

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To earn the **employee or employee+ children premium incentive** each year, employees must complete the following annual activities:

- By November 1: Select a Primary Care Physician (PCP).
- By November 1: Complete a Health Risk Appraisal (HRA) available through the vendor portal
- By January 31: Complete a Biometric Screening (either on-site at Client ABC provided events or during your annual physician office visits).

To earn the **employee+spouse or family premium incentive** each year, employees and their covered spouse/partner must complete the following annual activities:

- By November 1: Select a Primary Care Physician (PCP).
- By November 1: Complete a Health Risk Appraisal (HRA) available through the member portal
- By January 31: Complete a Biometric Screening (either on-site at Client ABC provided events or during your annual physician office visits).

**Failure to complete the above activities within the designated timeframe will result in loss of incentive opportunity for the plan year.**

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To promote continued wellness, health related educational tools and activities will also be offered. Participation in these activities is encouraged, but is not mandatory.



## Proposed Medical Contributions

Client ABC proposes moving from percent of salary to percent of premium when calculating contributions.

Proposed Contribution Formula						
Plan	BAHMO	PPO	BAHMO	PPO	BAHMO	PPO
Salary Band	\$0-\$60,000		\$60,001-\$90,000		\$90,001-\$120,000	\$120,001+
Floor	None	None	None	None	None	Greater of current contribution or new formula
Contribution	Employees will pay the following percent of premium <sup>1</sup> :					
Employee Only	15%	19%	16%	21%	18%	23%
Employee + Spouse	15%	19%	16%	21%	18%	23%
Employee + Child(ren)	15%	19%	16%	21%	18%	23%
Employee + Family	15%	19%	16%	21%	18%	23%
						25%
						25%
						25%
						25%

1. Employee contributions are before wellness incentives



## Proposed Medical Contributions: Illustrative Contributions by Salary Level

	Current		Wellness Participation		No Wellness Participation	
	Monthly Contribution		Monthly Contribution	Change	Monthly Contribution	Change
<b>\$50,000 (Salary Band 1)</b>						
<b>Employee Only</b>						
BAHMO	\$ 20.83	\$	55.07	\$ 34.23	\$ 105.07	\$ 84.23
PPO	\$ 62.50	\$	113.93	\$ 51.43	\$ 163.93	\$ 101.43
<b>Family</b>						
BAHMO	\$ 52.08	\$	129.17	\$ 77.09	\$ 229.17	\$ 177.09
PPO	\$ 93.75	\$	277.17	\$ 183.42	\$ 377.17	\$ 283.42
<b>\$70,000 (Salary Band 2)</b>						
<b>Employee Only</b>						
BAHMO	\$ 29.17	\$	62.07	\$ 32.91	\$ 112.07	\$ 82.91
PPO	\$ 87.50	\$	131.18	\$ 43.68	\$ 181.18	\$ 93.68
<b>Family</b>						
BAHMO	\$ 72.92	\$	144.45	\$ 71.53	\$ 244.45	\$ 171.53
PPO	\$ 131.25	\$	316.87	\$ 185.62	\$ 416.87	\$ 285.62
<b>\$100,000 (Salary Band 3)</b>						
<b>Employee Only</b>						
BAHMO	\$ 41.67	\$	76.08	\$ 34.41	\$ 126.08	\$ 84.41
PPO	\$ 125.00	\$	148.44	\$ 23.44	\$ 198.44	\$ 73.44
<b>Family</b>						
BAHMO	\$ 104.17	\$	175.00	\$ 70.84	\$ 275.00	\$ 170.84
PPO	\$ 187.50	\$	356.57	\$ 169.07	\$ 456.57	\$ 269.07
<b>\$130,000 (Salary Band 4)</b>						
<b>Employee Only</b>						
BAHMO	\$ 54.17	\$	90.09	\$ 35.92	\$ 140.09	\$ 85.92
PPO	\$ 162.50	\$	165.69	\$ 3.19	\$ 215.69	\$ 53.19
<b>Family</b>						
BAHMO	\$ 135.42	\$	205.56	\$ 70.14	\$ 305.56	\$ 170.14
PPO	\$ 243.75	\$	396.27	\$ 152.52	\$ 496.27	\$ 252.52

## Dental & Vision

## Proposed Dental Contribution and Plan Design Changes

Client ABC has not made any changes to the dental plan design or contribution structure since 2004. To be more comparable to market, the following contribution and design changes are proposed.

### Proposed Contributions

Dental Proposal	Proposed EE Monthly Contributions
HMO	
❖ Single	\$ 5.00
❖ EE+1	\$ 10.00
❖ Family	\$ 20.00
PPO	
❖ Single	\$ 15.00
❖ EE+1	\$ 30.00
❖ Family	\$ 60.00

### Proposed Plan Design Changes

The following plan design changes are recommended for the dental PPO:

- Increase deductibles:
  - In-network: \$25 to \$50
  - Out-of-network: \$50 to \$100 (Family remains 4 X single)
- Move payment of non-Preventive Services to Basic Payment Level (e.g., non-preventive x-rays)
- Align payment timing of certain services to market (e.g., crown replacement from 5 to 10 years, apply missing tooth exclusion)

## Proposed Vision Contribution and Plan Design Changes

Client ABC has not made any changes to vision office visit copays or contributions since before 1995. To be more comparable to market, the following contribution and design changes are proposed.

### Proposed Contributions

Vision Proposal		Proposed EE Monthly Contributions
Eye Med		
❖ Single	\$	2.50
❖ EE+1	\$	5.00
❖ Family	\$	7.50

### Proposed Plan Design Changes

The following are the added copays proposed for Client ABC's vision plan. Currently, these benefits have a \$0 copay:

- \$35 copay for contact lens fit and follow-up
- \$20 lens copay
- \$10 eye exam copay
- \$12 lens tint copay



