

**SAN FRANCISCO
HEALTH SERVICE SYSTEM**

Affordable, Quality Benefits & Well-Being

**REQUEST FOR PROPOSALS FOR
Actuarial and Consulting Services for the
San Francisco Health Service System
(RFPQ#HSS2018.04)**

ADDENDUM NO. 1

March 9, 2018

This Addendum is being issued to modify the requirements in the above-referenced Request for Proposals (RFP) and to respond to questions and comments received by or before 2:00 PM (PT) on March 2, 2018. Please review the terms of the RFP and this Addendum carefully. If there are any inconsistencies between the RFP and the terms of this Addendum, then the terms of this Addendum shall prevail. Section references below are to the RFP and are provided for convenience of reference only.

A. Modifications to Request for Proposals:

1. Preamble, heading “Intent of this Request for Proposals (RFP)”, second paragraph, is hereby deleted and replaced in its entirety as follows:

All actuarial, auditing, consulting, and general services must be performed under the direct supervision of a lead actuary (Supervising Actuary) who carries the designation of a Fellow in the Society of Actuaries (FSA) or the designation of an Associate of Society of Actuaries (ASA), or who meets the American Academy of Actuaries qualification standards to be an FSA. A Chartered Enterprise Risk Analyst (CERA) designation (alone) is insufficient. A designation of MAAA (Member of the American Academy of Actuaries) (alone) is also insufficient.

2. Section 2.3. (Supervising Actuary) is hereby deleted and replaced in its entirety as follows:

2.3 Supervising Actuary

Services will be directly supervised by an approved actuary:

- o with at least ten (10) years of experience with health benefit services for public-sector employees;

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- who carries the designation of a Fellow in the Society of Actuaries (FSA) or the designation of an Associate of Society of Actuaries (ASA), or who meets the American Academy of Actuaries qualification standards to be an FSA⁴;
 - has at least three (3) years of experience providing testimony to legislative or administrative bodies^{4.1}; and
 - is capable of discussing actuarial theory, actuarial assumptions and the basis thereof, and general accounting and actuarial subject matter, in a language easily understood by professionals without actuarial and/or accounting experience and/or education.

(FN)⁴ The American Academy of Actuaries Qualification Standards are available at <http://www.actuary.org/qualstandards/qual.pdf>.

(FN)^{4.1} For the purposes of this RFP, testimony to legislative or administrative bodies shall be defined as any in-person oral presentation of actuarial subject matter, theory, assumptions and the bases thereof, to administrative or legislative bodies or panels, including, but not limited to, (i.) state or federal administrative agencies, (ii.) administrative law judges or panels, or (iii.) municipal, county or state boards, including boards of supervisors or similar supervisory bodies such as city councils, commissions, boards of aldermen, or administrative bodies similar to the San Francisco Health Service System Board (Board). The selected Respondent will be required to present before the Board (video recording available at <http://sfgovtv.org/> under "Commissions, Councils and Boards", "Health Service Board") and potentially present before the City and County of San Francisco Board of Supervisors.

3. Section 2.2.7. (Union Negotiation Support) is hereby deleted and replaced in its entirety as follows:

2.2.7. Union Negotiation Support.

As requested by SFHSS, contractor will participate in and provide advice on contribution models in City negotiations with labor organizations representing various subsets of the SFHSS Member population. Union negotiations do not occur on an annual basis. SFHSS last required actuarial and consulting support for union negotiations in FY2013/14. This amounted to approximately ninety (90) hours over a four (4) month period. The majority of the current union agreements expire on or after May 2019. However in multiple prior years, the San Francisco Board of Supervisors and Unions have agreed to simply extend the term of the union agreements for one or more years, and no union negotiation support was required from the SFHSS actuary.

Please note that any services in support of union negotiations (including contribution modeling) would not be included in the core actuarial and health benefit consulting services under the agreement arising from this RFP. Any costs associated with union negotiation support, and the scope of these additional services, would be the subject of an amendment to the agreement and would not be bound by the aforementioned annual budget limits. However, the hourly rate for actuarial services in support of union negotiations would remain consistent with the hourly rates for actuarial and health benefit consulting services under the agreement.

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4. Section 2.5 (SFHSS Plans and SFHSS Member Population), paragraph one, currently reads as follows:

SFHSS currently administers benefits for approximately 119,000 members as follows:⁵

^{(FN)5} Respondents will note that SFHSS benefit offerings may change from plan year to plan year.

Section 2.5 (SFHSS Plans and SFHSS Member Population), paragraph one, is hereby deleted and replaced in its entirety as follows:

SFHSS currently administers benefits for approximately 125,000 members as follows:⁵

^{(FN)5} Approximately 6,000 of these members have waived health benefits coverage. Respondents will note that SFHSS benefit offerings may change from plan year to plan year.

5. Section 2.5.1. (Health Benefits), paragraph six, currently reads as follows:

The Kaiser HMO is a fully-insured external HMO, where the risk of loss due to excess claims for a given fiscal year is borne by the HMO.

Section 2.5.1, paragraph six, is hereby deleted and replaced in its entirety as follows:

The Kaiser HMO plan is a traditional, fully-insured product. SFHSS does not carry any risk due to excess claims.

6. Section 3.3.3. (Section 3: Executive Summary), second bullet point, is hereby deleted and replaced in its entirety as follows:

- Respondent shall include a statement that its Proposal is a firm and irrevocable offer for one hundred and twenty (120) calendar days following the date of submission to SFHSS of its Proposal.

7. Section 3.3.5. (Section 5: References), is hereby deleted and replaced in its entirety as follows:

3.3.5. Section 5: References.

- For Supervising Actuary and each Key Staff member, Respondent shall provide at least two (2) references, with contact email and phone number, from clients serviced between January 2015 and February 2018.
- Reference checks may be used to confirm prior clients, general scope of services, and years of service of the Respondent recommended by the Evaluation Panel, prior to submission to the Health Service Board for approval, pursuant to Section 3.4.2. of this RFP.
- SFHSS will notify the Respondent in writing prior to conducting any reference checks.

8. Section 3.3.7. (Section 7: Pricing for Services) is hereby amended to include the following Tables for reference:

Table 3.3.7. A.

Proposed Not-To-Exceed Amounts for Services		
Contract Year(s)	Not-To-Exceed Amount (\$)*	Incidental Costs**
1, 2 and 3	\$ _____	\$ _____
1	\$ _____	\$ _____
1, 2, 3 and 4	\$ _____	\$ _____
1, 2, 3, 4 and 5	\$ _____	\$ _____

*Not-to-Exceed Amount does not include any special projects or additional services, such as those referenced above for union negotiations (Sec. 2.2.7.).

**If applicable. If Respondent proposes to bill incidental costs and expenses separately, such projected costs and/or estimated expenses shall be described in detail in Section 7: Pricing for Services (RFP Sec. 3.3.7.).

Table 3.3.7. B.

Hourly Rates						
Staffing Level*	Role*	Year 1	Year 2	Year 3	Year 4	Year 5
Lead Actuary	<i>Supervising Actuary</i>	\$/hr	\$/hr	\$/hr	\$/hr	\$/hr
Actuary	<i>actuary/actuarial support</i>	\$/hr	\$/hr	\$/hr	\$/hr	\$/hr
Non-Actuarial	<i>title/role(s)</i>	\$/hr	\$/hr	\$/hr	\$/hr	\$/hr
Subject Matter Expert	<i>area(s) of expertise</i>	\$/hr	\$/hr	\$/hr	\$/hr	\$/hr
Project Manager	<i>PM, etc.</i>	\$/hr	\$/hr	\$/hr	\$/hr	\$/hr
Analyst	<i>area(s) of expertise, if applicable</i>	\$/hr	\$/hr	\$/hr	\$/hr	\$/hr
Administrative Support	<i>area(s) of expertise, if applicable</i>	\$/hr	\$/hr	\$/hr	\$/hr	\$/hr
Other (as appropriate)	<i>TBD</i>	\$/hr	\$/hr	\$/hr	\$/hr	\$/hr

*Staffing levels and roles provided as guidance only.

9. Section 4.2.2. (Skills and Experience), third bullet point, currently reads as follows:

- o The Supervising Actuary must have performed actuarial services for the most recent three (3) consecutive years for two public sector benefit administrators, each with at least \$500 million in annual benefit spend and at least 50,000 members, including active employees, retirees and/or dependents.

Section 4.2.2. (Skills and Experience), third bullet point, is hereby deleted and replaced in its entirety as follows:

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- The Supervising Actuary must have performed actuarial services for at least three (3) consecutive years, during the period of January 1, 2013 through February 9, 2018, for either (a.) two public sector benefit administrators, each with at least \$500 million in annual benefit spend and at least 50,000 members, including active employees, retirees and/or dependents, or (b.) one public sector and one private sector benefit administrator, each with at least \$500 million in annual benefit spend and at least 50,000 members, including active employees, retirees and/or dependents.

B. Questions & Answers

1. **Q:** How often will the Supervising Actuary be required to provide in-person testimony to present, certify, and/or support financial analyses (RFP Section 2.1)?

A: The Supervising Actuary will be required to attend approximately nine (9) Health Service System Board Meetings and one (1) meeting of the San Francisco Board of Supervisors. Video recordings of the scope and duration of such presentation are available at <http://sfgovtv.org/> under “Commissions, Councils and Boards” - “Health Service Board”.

2. **Q:** How often will the Key Staff be required to attend in-person meetings *not* including public testimony (e.g. weekly meetings, annual planning meetings, vendor meetings, and ad-hoc meetings, as referenced in RFP Sec. 2.2.1.)?

A: Key Staff (and the Supervising Actuary) may attend meetings *not* involving public testimony via conference call or web-ex. However, currently and in prior years, one or more Key Staff have frequently attended meetings not involving public testimony, including, but not limited to, annual planning meetings and vendor meetings.

3. **Q:** What is the scope and frequency of clinical and claim audits (RFP Sec. 2.1.2.)?

A: In the prior three (3) years, SFHSS has engaged in the following clinical and claim audits. Links to the reports on each audit have been provided and recordings of the live presentations are available at <http://sfgovtv.org/> under “Commissions, Councils and Boards” - “Health Service Board”:

- **May 2016: United Healthcare (UHC) National PPO (NPPO) Audit.** The audit verified accurate enrollment of SFHSS Medicare Advantage participants by UHC, assessed the overall quality of claims administration being delivered by UHC personnel, verified split families (families with a mix of Medicare eligible and non-eligible members) loading process within their eligibility system. http://www.myhss.org/downloads/board/regular_meetings/2016/RM_051216_UHC_NPPOAudit.pdf
- **September 2016: Blue Shield of California (BSC) Post-Implementation Audit of Facets Migration.** In November 2015, BSC migrated the claims processing from their legacy systems to Facets, the review assessed the migration as it compared to prior claims processing capabilities.

http://www.myhss.org/downloads/board/regular_meetings/2016/RM_090816_BIue%20Shield%20Audit%20Results.pdf

- **February 2017: UHC Claims Audit.** The audit assessed the quality of claim handling, plan management, and customer service, verified accurate payment of medical benefits, verified accountability to plan provisions, and generally assessed the overall quality of claim administration by UHC personnel. http://www.myhss.org/downloads/board/regular_meetings/2017/RM_020917_UHC_Audit.pdf

4. **Q:** What is the scope and frequency of medical plan audits?

A: SFHSS conducts audits of self-insured medical claims on an annual basis to assess the quality of claim handling, plan management, and customer service, verify medical benefits are being paid accurately, verify accountability to plan provisions, and generally assess overall quality of claim administration being delivered by UHC personnel.

http://www.myhss.org/downloads/board/regular_meetings/2017/RM_020917_UHC_Audit.pdf.

Upon implementation of a new medical plan, SFHSS routinely conducts a post-implementation audit.

5. **Q:** Under RFP Section 2.1.3. (Trust Fund and Reserves), please elaborate on bullet point one, which reads “[p]erform professional actuarial, financial, and benefits expertise, analysis and recommendations for the Trust in accordance with the American Academy of Actuaries accepted actuarial practices.”?

A: Trust Fund reserves are actuarially calculated and must be determined by the Supervising Actuary in accordance with the American Academy of Actuaries' implementation guides. It is noted that not all actuarial work is governed by the American Academy of Actuaries accepted actuarial practices.

6. **Q:** Pursuant to Section 2.3. (Supervising Actuary), please clarify the requirement that there be direct supervision by the Supervising Actuary? Would supervision by another approved actuary be acceptable? Is this limited to actuarial/financial matters only?

A: This requirement is limited to actuarial services. There are consulting models and situations where the Supervising Actuary would not be directly supervising or directly overseeing works such as the works of Key Staff consultants and/or subject matter experts who have a specific and defined role and expertise related to, for example, strategy, design and operations. Any additional actuary would need to be approved in advance by SFHSS.

7. **Q:** Is an actuarial valuation of retiree medical costs performed as part of the scope of this RFP and a resulting agreement (Sec. 2.5.1.)?

A: No. Other Post Employment Benefit valuation is not part of this RFP scope or the scope of any resulting agreement.

8. **Q:** Pursuant to RFP Section 3.3.8., may Respondent submit its standard form of agreement and/or its most current standard form of agreement for actuarial and consulting services (“Respondent’s Preferred Agreement”), so long as key clauses, terms and/or conditions that deviate from the standard City/SFHSS agreement in Appendix C (“SFHSS Agreement”) are clearly highlighted?

A: Respondent’s Preferred Agreement may be submitted in response to RFP Section 3.3.8. so long as Respondent (i.) clearly identifies specific clauses, terms and/or conditions in Respondent’s Preferred Agreement that deviate from the SFHSS Agreement and (ii.) the corresponding articles and section of the SFHSS Agreement are clearly noted and/or aligned.

9. **Q:** Pursuant to RFP Section 3.3.8., what does SFHSS consider to be suitable measures or criteria for performance guarantees?

A: SFHSS currently evaluates vendors within several key service categories, including (i.) overall level of service, accuracy and responsiveness to SFHSS staff requests, (ii.) timeliness, calendaring and accuracy of reports to be submitted to the Health Service Board (Board), (iii.) scope and accuracy of requests for analysis by SFHSS or the Board, (iv.) proactive calendaring and timely responses to audits and regulatory requirements, and (v.) attendance at meetings and key events. However, SFHSS recognizes that there are additional and potentially higher service level metrics and professional criteria to which a Respondent may hold itself and its actuaries and key staff.

10. **Q:** Pursuant to RFP Section 3.3.8., what shall Respondent submit as evidence legal review of the Agreement in Appendix C?

A: Submission of a response to this RFP, and the signature of a designated signatory for Respondent thereto, affirms that legal review, pursuant to Section 3.3.8. has been completed. This review may be done by either in-house or outside counsel.

11. **Q:** Who will be on the Evaluation Panel?

A: The Evaluation Panel will be comprised of three (3) members from within the City of San Francisco Office of the Controller and the San Francisco Employees’ Retirement System, and two (2) members from within the San Francisco Health Service System.

The same five-member Evaluation Panel will review and score each Respondent proposal and preside over and score each Oral Interview.

Please note that no members of the San Francisco Health Services System (including members of the San Francisco Health Service System Board) who participated in the development and/or administration of this RFP, including, but not limited to, the President of the Health Service Board, Executive Director, Chief Financial Officer or Contracts Manager, will be a member of the Evaluation Panel.

12. Q: Pursuant to RFP Section 4.2.2., what is the purpose of the simulated risk analysis and are any plan premiums or contributions currently risk adjusted or is SFHSS planning to consider risk adjusted plan premiums or contributions during the proposed term of this agreement?

A: SFHSS uses an All Payor's Claims Database for reporting risk scores for our population and subsets thereof. SFHSS does not, however, currently risk adjust rates nor does SFHSS have any plans to risk adjusting rates.

13. Q: If SFHSS receives a bid from qualified Local Business Enterprise (LBE) that is certified pursuant to San Francisco Administrative Code, Chapter 14B ("Chapter 14B") and the City and County of San Francisco Contract Monitoring Division, how will this affect the scoring?

A: While at this time SFHSS has not received any notification that an LBE is expected to submit a proposal in response to this RFP, or that an LBE meets the minimum qualifications under this RFP either as a prime proposer or a joint venture with a non-LBE firm, pursuant to Chapter 14B. Section 14B.7., SFHSS will apply the required discount of ten percent (10%), seven and one-half percent (7.5%), or five percent (5%) accordingly to any responsive LBE proposal. See <http://sfgov.org/cmd/14b-local-business-enterprise-ordinance>.

14. Q: Please elaborate on the process and the three questions in the Oral Interview. What kinds of questions, problem solving scenarios and/or situational activity-type questions might be asked?

A: Each Respondent selected for the Oral Interview will be allowed to prepare a brief presentation to introduce the Respondent firm and team members [five (5) minutes maximum].

There will be three (3) questions involving problem solving or situation activities directly applicable to health benefit administration for a large public-sector group.

The first question will be provided to the Respondent team in writing and will be read aloud to the Respondent team. Each Respondent team will then have ten (10) minutes to develop a strategy or approach to addressing the question.

The SFHSS Chief Financial Officer will be made available to Respondent team during this ten (10) minute period. She may be called upon by Respondent to answer questions or supply information but cannot lead the discussion or offer suggestions for the response. The SFHSS Contract Manager will moderate and time the proceedings.

The Evaluation Panel will remain in the oral interview room during this period to observe how Respondent team approaches problem solving, collaboration and team integration.

The Respondent team will then have ten (10) minutes to present its response before the Evaluation Panel.

The first question will then be collected and the process repeated for each of the subsequent two questions.

Each Respondent team will be provided the same three (3) questions in the same order.

The questions will be directly relevant to the scope of services, addressing one or more issues SFHSS and/or other large public-sector benefit administrators face or are expected to face in the upcoming years, in such areas as compliance, managing the increasing cost of health benefits, addressing concerns with transparency in health care costs, Accountable Care Organizations, narrow networks, prescription drug coverage, the Patient Protection and Affordable Care Act, employee wellness or well-being programs, and audits of our current member populations.

15. Q: Will consulting services include consulting on the well-being services described in the 2015-17 Strategic Plan?

A: Yes, the SFHSS Well-being Division is an important division within the department and may be the subject of consulting services in the future.

16. Q: The 2015-2017 Strategic Plan indicates that SFHSS medical plans are “close to or above” the threshold for the 40% Excise Tax. What is your approach to addressing the Excise Tax, assuming the current 2022 effective date does not change again?

A: Excise Tax analysis is currently based on the blending of premium costs of Early Retirees with Medicare-eligible retirees for purposes of calculating the SFHSS exposure, evaluating whether to discontinue offering Flexible Spending Accounts (if not excluded from Excise Tax calculations), working with plans on design changes and/or ways to decrease premiums, and proposing changing self-funded dental to fully-insured at the time of Excise Tax implementation to avoid the tax.

17. Q: The 2015-2017 Strategic Plan indicates a new initiative to provide affordable, quality health care by considering contracting arrangements with vendors, hospitals, and medical groups that reduce cost and improve quality. Have you undertaken any actions that support this initiative, or are any actions planned in the coming year?

A: SFHSS began working directly with Blue Shield of California Accountable Care Organizations (ACOs) in 2013. Leveraging our success with the ACOs, SFHSS and BSC implemented Trio as of January 1, 2018 (an ACO HMO Network). We continue to work with the ACOs to implement a coordinated HMO-based approach to health care. In 2017, SFHSS transitioned from a self-funded benefit to a fully-insured Medicare-sponsored benefit plan.

18. Q: Who is the incumbent actuary and who is the incumbent health benefit consultant? How long have they been in place? Why has SFHSS decided to go out to RFP for actuarial and health benefit consulting services?

A: Our current and incumbent actuary and health benefit consulting services provider is Aon Hewitt. The current agreement is set to expire this year. The RFP that resulted in the original actuarial and consulting services agreement with Aon Hewitt specified a term of up to five (5) years. An additional extension of the term of the agreement was extended due to the departure of our previous Executive Director and the new initiatives described above in the response to Question 17. To avoid discontinuity of services, SFHSS waited until the recruitment of our current Executive Director before going out to RFP for these services.

19. Q: Are the services outlined in the proposal comparable to those currently being provided?

A: Yes, however since July 1, 2011 SFHSS has executed several amendments to the original agreement to address one-time special projects and services. One such service (addresses in RFP section 2.2.7, as amended) is the potential analysis of contribution models for union negotiations. As stated in Section 2.2.7. of the RFP (as amended), “[a]ny costs associated with [special projects/services], and the scope of these additional services, would be the subject of an amendment to the agreement and would not be bound by the aforementioned annual budget limits.”

20. Q: Does the anticipated budget for FY2018/19 match the current FY2017/18 budget for actuarial and consulting services?

A: Yes.

21. Q: What were the consulting hours (excluding actuarial hours) billed by year between FY2014/15 and FY2017/18?

A: FY 2014/15: 505.75 hours
FY 2015/16 - 929.2 hours
FY 2016/17 - 530.25 hours
FY2017/18 (July 1, 2017 through January 31, 2018): 269.45 hours

22. Q: What are the busiest months for SFHSS consulting and actuarial services?

A: January through July.

23. Q: What are the current SFHSS Member demographics?

A: The most recent demographics report can be found on the SFHSS website at http://www.myhss.org/downloads/board/regular_meetings/2018/RM_020818_DemographicReport2018.pdf.

24. Q: How often does SFHSS bid its benefit plans and when was the most recent bid for each plan?

A: SFHSS does not have a requirement to go out to bid for its benefit plans each year or pursuant to any predefined schedule. SFHSS has no plans to go out to bid for any benefit plan. As for the current plan providers, the bid that resulted in the selection of UHC occurred in 2002, the bid that resulted in the selection of Kaiser Permanente (KP) occurred in 2006, and the bid that resulted in the selection of BSC occurred in 2010.

25. Q: How is contribution development for the four participating SFHSS employers contained within the scope of services?

A: Rate cards are presented to the Health Service Board based on the City's two primary contribution models for active employees. SFHSS calculates the detailed rates for each employer based on their unique agreements with their unions using the total rates found on the rate cards.

26. Q: What is the SFHSS contribution philosophy? Is this philosophy shared by all participating employers?

A: The distribution of the rates between the employer and the employee is based on Union agreements between the four employers and their respective employees. The City Charter forms the basis of the retiree contribution model. Please note that the scope of services does not include modeling separate contribution strategies for the other three participating employers.

27. Q: Will the selected Respondent have direct access to the All Payer Claims Database?

A: The selected Respondent will not have direct access to the All Payer Claims Database.

28. Q: The RFP indicates that SFHSS has held year-to-year increases below national averages without reducing benefits or increasing member deductibles and copays. Is the maintenance of current plan designs an objective or an absolute commitment (i.e. part of bargaining agreements) in your program?

A: SFHSS will consider recommendations for plan design changes and changes in co-pays and deductibles. The collective bargaining agreements do not dictate plan design.

29. Q: Will SFHSS preclude Key Staff retained as subcontractors/1099 independent contractors?

A: No, SHSS will not preclude Key Staff who are subcontractors/1099s. However, please note that pursuant to Appendix C, Section 4.3. (Subcontracting), all subcontractors must incorporate the terms of Article 10 (additional Requirements Incorporated by Reference). Furthermore, subcontractors are considered Personnel pursuant to RFP Section 4.4. (Reassignment of Personnel following Award).
