**STATE OF NEW HAMPSHIRE**
ADMINISTRATIVE SERVICES
RISK MANAGEMENT UNIT
STATE HOUSE ANNEX, 25 CAPITOL STREET
CONCORD, NEW HAMPSHIRE 03301

**ADDENDUM #1 TO RFP 1608-14**

DATE OF BID OPENING: June 3, 2014 TIME OF BID OPENING: 2:00 PM

FOR: **Consulting Services**

**PART I of ADDENDUM #1**

I. In accordance with **Section II**, Bidding Instructions and Conditions, A. 7. RFP Inquiries, the State has received the following questions regarding the RFP and replies as follows:

1. **Question:** Will the State of New Hampshire consider a bid for just the pharmacy benefits part of the RFP?

   **State's Response:** No.

2. **Question:** Why is the contract out to bid? Are there service issues with the current Consultant?

   **State's Response:** The contract is out to bid because the current contract ends on 12/31/2014.

3. **Question:** The request for proposal identifies the State's involvement with the University of New Hampshire Institute for Health Policy and Practice (IHPP). Is the consultant expected to provide any services to the IHPP? Are there regular or scheduled meetings with IHPP the Consultant attends, if so how many per year?

   **State's Response:** The awarded vendor will not be required to provide services to IHPP, or attend meetings.

4. **Question:** We note the contract is not effective until 1/1/15. Please confirm that the first yearly audit required will be for 2014 claims, sometime in the last half of 2015. Section I. A. 1.

   **State's Response:** The required claims audits in 2015 will be for calendar year 2014 claims. Claims audits shall begin as soon as the respective vendor can accommodate the data request. Historically claims audits have been initiated as early as February.

5. **Question:** Please confirm that the State wishes the claims audits to be performed on an "incurred" basis rather than a "paid" basis, which we understand from the narrative means that the audits would commence sometime around July 1st following the year to be audited. Section III.B.1.

**State's Response:** No, the medical, FSA, and dental claims will be audited based on the date a claim is processed. The State defines "processed" as the date a claim is processed, irrespective of the date it was incurred or paid. Please see response to #4 for timeframe.

6. **Question:** Please confirm the State wishes to separate claim audits for medical claims and behavioral health claims (including substance abuse). Section III.B.1 and "Health Benefit Claims Audit Requirements" on p.22.

   **State's Response:** No. The State's medical TPA contract includes behavioral health claims and the State expects one claims audit inclusive of all claim types sampled.

7. **Question:** Please provide additional information about what the State wants with regarding to evaluation of preadmission certification, concurrent review, discharge planning, retrospective claims review and individual and large case management. Does the State want review of policies and procedures against NCQA guidelines? Review of files? On-site review with interviews or just a desk audit? Section III.B. "Health Benefit Claims Audit Requirements" on p. 23.

   **State's Response:** The scope of audit is typically determined on a case by case basis by the State with input from the awarded vendor. Historically our claims audits have been focused largely on things such as claims, controls, policies, procedures, and adherence to State benefit design. Claims audits involve reviews of claims files requested by the awarded vendor as well as relevant documentation. Medical, dental, and FSA claims audits have included an onsite review of stratified samples.

8. **Question:** Since the State has not yet completed its procurement for a short-term disability vendor, may we indicate our capabilities to perform this audit, but delay a discussion of methodology and pricing until the State requests an audit of the short-term disability vendor? Section III.B.5.

   **State's Response:** Yes.

9. **Question:** For purposes of pricing, how many on-site meetings does the State anticipate will be required? The initial kickoff meeting? The final presentation? Any others? Section IV.

   **State's Response:** As indicated in Section III of the RFP, the State requires the awarded vendor to be on-site for various meetings and/or work activities on an as needed basis. At a minimum, the on-site meetings include, but are not limited to the following: presentation of claims audit findings, Governor and Council meetings, certain vendor claims and utilization meetings, and HBC meetings as required. The State expects the awarded vendor to engage in the required services in a manner that provides the highest level of customer service to the State; therefore, the volume of on-site meetings cannot be estimated further than currently described in the RFP.

10. **Question:** Are there any concerns regarding Pharmacy Vendor performance that require special emphasis on the audit?

**State's Response:** There are no identified audit concerns at this time; however the State and awarded vendor will discuss the scope of each audit during planning.

11. **Question:** Are there any concerns, or uncertainty regarding administration of drug costs?

    **State's Response:** There are no identified concerns at this time.

12. **Question:** Does the State of New Hampshire assume a full benefit plan review, including Copay, Formulary, manufacturer rebate, Clinical programs and Prior Authorization rules?

    **State's Response:** Yes.

13. **Question:** Will the State consider 100% claim review for pharmacy drug pricing and plan design audits, versus sampling of claims?

    **State's Response:** Yes. The State requires a 100% claim review.

14. **Question:** Does the plan benefit for pharmacy require an audit of RDS or the pending EGWP program?

    **State's Response:** No.

15. **Question:** Will you provide the current contract and the past 3 years of hours billed for each required service?

    **State's Response:** Please see **Attachment A** to this addendum for a copy of the current contract. No, the State will not supply billed hours, and the State's estimated hours are included in Section IV, B. of the RFP.

16. **Question:** RE: Actuarial Budget and Working Rates & Medicare Part D Subsidy Attestations; can a copy of recent reports and recommendations be provided?

    **State's Response:** Working rates are available online via this link: http://www.admin.state.nh.us/hr/MedicalandDentalContributionCharts.asp

    The State's RDS attestations are not available.

17. **Question:** RE: Actuarial GASB Valuations; what types of ad hoc analyses are anticipated or have been needed in the past?

    **State's Response:** Some additional financial analysis has been performed related to costs such as adjusted OPEB projections based on retiree eligibility laws.

18. **Question:** RE: Health Benefit Vendor Claims Audits (Applicable to Medical, Drug, Behavioral Health, and Dental); what is the average annual claims volume and payment amount?

    **State's Response:** This question is not relevant for purposes of responding to this RFP.

19. **Question:** RE: Health Benefit Vendor Claims Audits (Applicable to Medical, Drug, Behavioral Health, and Dental); what types of internal audits are performed by the administrators? Are the findings accessible to the audit vendor?

    **State's Response:** The types of internal audits are specific by vendor and typically are in accordance with their internal policies. Access to internal vendor findings or reports will vary by vendor and will be discussed during audit planning.

20. **Question:** RE: Health Benefit Vendor Claims Audits (Applicable to Medical, Drug, Behavioral Health, and Dental); how will claims and accumulator data be provided to the audit vendor?

    **State's Response:** Please see the State's response to question #7.

21. **Question:** RE: Health Benefit Vendor Claims Audits (Applicable to Medical, Drug, Behavioral Health, and Dental); what medium and format will claims data be provided? (e.g. electronic, 837 files, access to data warehouse)

    **State's Response:** The State expects that the awarded vendor and State's health benefit vendor will determine an appropriate means of transmitting needed data securely and in a format usable by both parties.

22. **Question:** RE: Health Benefit Vendor Claims Audits (Applicable to Medical, Drug, Behavioral Health, and Dental); how many providers by type (institutional, professional, ancillary) are participating in the network for the products offered to State employees and retirees?

    **State's Response:** This will vary by vendor type and contract. This question is not relevant for purposes of responding to this RFP.

23. **Question:** RE: Health Benefit Vendor Claims Audits (Applicable to Medical, Drug, Behavioral Health, and Dental); are sample contracts with the administrators and providers available for review?

    **State's Response:** No.

24. **Question:** RE: Health Benefit Vendor Contract Procurements; is there a procurement process flow for the existing operations that can be shared with the vendor?

    **State's Response:** The procurement process takes place approximately 9-12 months in advance of an expiring contract and/or when new services are being purchased. The bidding instructions are outlined in Section II of the RFP.

25. **Question:** RE: Health Benefit Vendor Contract Procurements; how will employee/retiree membership and demographic information be provided to Procurement vendor?

    **State's Response:** The State will provide demographic data to the awarded vendor if necessary; the appropriate incumbent vendors will provide data as needed also.

26. **Question:** RE: Health Benefit Vendor Contract Procurements; what medium and format will data be provided? (e.g. electronic file, 834, access to HR systems)

    **State's Response:** Please see the response to question #21.

27. **Question:** RE: Health Benefits Consulting; General HBC Consulting. Can a copy of the existing organizational structure of the HBC and interface points be provided?

    **State's Response:** Information about the Health benefit Committee can be found by accessing this link: **http://admin.state.nh.us/hr/cba2013/CBA%202013-2015.pdf**

28. **Question:** RE: Health Benefits Consulting; General HBC Consulting. How many years of claims information will be made available to the health benefits consulting vendor?

    **State's Response:** The awarded vendor will have several years of summary reports available. In addition, the awarded vendor may request data through the State if necessary.

29. **Question:** RE: Health Benefits Consulting; General HBC Consulting. What medium and format will claims data be provided?

    **State's Response:** Please see the response to question #26.

30. **Question:** RE: Health Benefits Consulting; Department Enrichment. What tools and infrastructure are available for vendor monitoring? Is it possible to get documentation on monitoring process and high level architecture?

    **State's Response:** The State employs staff to manage vendor contracts on a day to day basis. The awarded vendor will be expected to augment State staff efforts as needed. The State does not use automated tools for vendor monitoring.

31. **Question:** RE: Health Benefits Consulting; Department Enrichment. Is there a separate department/team for knowledge management and training outside of the DAS?

    **State's Response:** DAS has access to a Bureau of Education and Training for more generic and business related topics. Staff enrichment will be focused on topics such as the Affordable Care Act, emerging trends in the industry, new reimbursement models, and other topics as identified.

32. **Question:** RE: Health Benefits Consulting; Employee Engagement. Are sample communications for employee engagement available for review?

    **State's Response:** No.

33. **Question:** RE: Health Benefits Consulting; Employee Engagement. What are the existing communication mediums (e.g. electronic, paper, social media) used for employee engagement?

    **State's Response:** The State may communicate by any of the following methods: mail, flyers, posters, postcards, the State's website, or through internal email for agency HR administrators for additional distribution to employees. The State may utilize social media in the future for employee engagement.

34. **Question:** RE: Health Benefits Consulting; Data Analysis. What application and tools does the state use to store data?

    **State's Response:** The State only stores data used to enroll employees in benefits. This information is fed to our vendors in a variety of ways, typically placed on an FTP server for vendor retrieval. The State does not store individually identifiable claims or utilization data.

35. **Question:** RE: Health Benefits Consulting; Employee Engagement. What data analytics tools are utilized by the state? Is there a high-level architecture document available?

    **State's Response:** No. The State does not perform data analytics with regard to employee engagement.

**PART II of ADDENDUM #1**

II. In accordance with **Section II**, Bidding Instructions and Conditions, A.9. Addenda, RFP 1608-14 is hereby amended and/or further clarified as follows:

1. Amend Section V, Questionnaire, General Requirements and Questions for all Bidders, A. Consulting Experience and Background, **# 1**. as follows:

**A. CONSULTING EXPERIENCE AND BACKGROUND**

**1.** The State is interested in understanding your organization's history and experience in health benefits consulting. We are particularly interested in your experience with public sector clients with a labor/management environment. In (3) three pages or less, please provide a narrative addressing the following:

a. A description of your organization's client philosophy and management strategy;

b. A description of your organization's experience and capabilities working within a labor/management environment similar to the State's;

c. Three (3) examples of recent projects with which your organization was engaged in providing consulting to labor/management groups. Please include your organization's role in these projects.

2. Amend Section V, Questionnaire, General Requirements and Questions for all Bidders, A. Consulting Experience and Background, **# 4**. as follows:

**4.** In (2) two pages or less, describe your approach in helping clients identify and implement strategies to contain costs and improve the quality of health care delivered to members with respect to achieving the highest value healthcare benefits for their employees, retirees and families. At a minimum, your description must include your organizations approach to but not be limited to the following:

a. Quality care management;

b. Cost-effective medical services;

c. The most current prescription drug pricing arrangements;

d. Financial modeling and benchmarking to assess performance and the like.

CONTACT: Tammy Nelson

NOTE: IN THE EVENT THAT YOUR PROPOSAL/BID INVITATION HAS BEEN SENT TO THIS OFFICE PRIOR TO RECEIVING THIS ADDENDUM, RETURN ADDENDUM WITHIN THE SPECIFIED TIME WITH ANY CHANGES YOU MAY WISH TO MAKE AND MARK ON THE REMITTANCE ENVELOPE PROPOSAL/BID INVITATION NUMBER AND OPENING DATE. RETURNED ADDENDA WILL SUPERSEDE PREVIOUSLY SUBMITTED BID.

BIDDER_____ADDRESS_____

BY_____ _____
(this document must be signed)

_____TEL. NO._____
(please type or print name)

# State of New Hampshire

**DEPARTMENT OF ADMINISTRATIVE SERVICES**
OFFICE OF THE COMMISSIONER
25 Capitol Street – Room 120
Concord, New Hampshire 03301

LINDA M. HODGDON
Commissioner
(603) 271-3201

JOSEPH B. BOUCHARD
Assistant Commissioner
(603) 271-3204

November 9, 2011

His Excellency, Governor John H. Lynch
and the Honorable Council
State House
Concord, New Hampshire 03301

COPY

**REQUESTED ACTION**

Authorize the Department of Administrative Services to enter into a contract with The Segal Company, 116 Huntington Avenue, Boston, MA 02116, (hereinafter "Segal") (VC# 164079), for a total amount not to exceed $1,375,000, for actuarial, claim audit, procurement and general health benefits consulting services. The term of the contract is for three years set to commence January 1, 2012 and expire thereafter on December 31, 2014. **40% General funds, 16% Federal funds, 26% Enterprise funds, 16% Highway Funds and 2% Turnpike funds.**

Funds are available in the following account with the authority to adjust encumbrances in each of the State Fiscal Years through the Budget Office, if needed and justified. Funding for SFY 2014 and SFY 2015 is contingent upon the availability and continued appropriation of funds.

Department of Administrative Services, Employee Benefit Risk Management Fund

| | SFY 2012 | SFY2013 | SFY2014 | SFY2015 |
|---|---|---|---|---|
| 01-14-14-140560-66000000 | | | | |
| 046-500662 Consulting - Active HMO | $142,747 | $268,268 | $255,383 | $129,758 |
| 046-500663 Consulting - Active POS | 16,984 | 31,918 | 30,384 | 15,468 |
| 01-14-14-140560-66600000 | | | | |
| 046-500660 Consulting - Troopers HMO | 5,670 | 10,655 | 10,143 | 5,164 |
| 046-500661 Consulting - Troopers POS | 419 | 788 | 750 | 382 |
| 01-14-14-140560-66500000 | | | | |
| 046-500662 Consulting – Retirees U65 | 23,960 | 45,027 | 42,865 | 21,821 |
| 046-500663 Consulting – Retirees O65 | 48,265 | 90,704 | 86,348 | 43,957 |
| 01-14-14-140560-66700000 | | | | |
| 046-506540 Consulting – NEPBA HMO | 7,568 | 14,222 | 13,539 | 6,892 |
| 046-506541 Consulting – NEPBA POS | 887 | 1,668 | 1,588 | 808 |
| FY Totals | $246,500 | $463,250 | $441,000 | $224,250 |

Grand Total $1,375,000

**EXPLANATION**

The Commissioner of Administrative Services is authorized, pursuant to RSA 21-I: 28, to enter into contracts with "any organization necessary to administer and provide a health plan."

The Department of Administrative Services is responsible for the administration of the State Employee and Retiree Health Benefit Program (the "Program") and procurement of all necessary services. The Program offers employee and retiree health (including pharmacy coverage) and dental coverage under a self-funded plan and voluntary retiree dental plan. The Program also offers the flexible spending benefits, voluntary benefits, and a benefit that allows co-payment, co-insurance and deductible reimbursement through a Health Reimbursement Arrangement (HRA). Benefits are provided to approximately 11, 800 active employees and their families located in New Hampshire and the surrounding New England states and approximately 10,800 retirees located throughout the United States.

Consulting services are essential to the State's Program. Health benefits administration requires not only sound rate-setting, but verification that the amounts paid on behalf of the State for claims are properly owed to hospitals, physicians and pharmacies. Our consultants do that for the State. In addition, the State requires technical assistance in its procurement of health and dental benefits administrative services, so that we can determine the likely fiscal impact of network contracts as well as the adequacy of those provider networks. Consultants provide that necessary technical expertise. Finally, the Program requires consultants to assist in strategically positioning the State benefit program in an ever-changing health care landscape as well as complying with numerous federal requirements. On an annual basis, this Agreement represents approximately one quarter of one per percent of the FY 2011 Program expenses. By contrast, the Program has saved the State well over $25m by effectively partnering with professional benefits consultants for these kinds of services since the transition to self-funding in FY 2004, through FY 2011.

The current contract with Segal for actuarial, claims audit and employee benefits consulting services is set to expire on December 31, 2011. Therefore, the Department issued a Request for Proposal ("RFP") for consulting services on July 21, 2011. Twenty-one (21) firms received direct notification of this solicitation, public notice was provided through the Manchester Union Leader, and the proposal was posted on the Bureau of Purchase and Property website. On August 31, 2011, bids were received from Aon Hewitt, Milliman, Segal, and USI Connecticut. All four proposals were evaluated.

The scoring was based upon the areas of: Financial (60%) and Technical (40%). Based on the foregoing, the proposal submitted by Segal received the highest ranking score and was accepted by unanimous vote by the evaluation members. The evaluation team consisted of the following members: Financial: Melanie Carraher, Purchasing Agent (Bureau of Purchase & Property) and Robert Stowell, Administrator (Bureau of Purchase & Property); Technical: Michael Connor, Director (Division of Plant & Property Management), Mark Fairbank, Administrator (Commissioner's Office) and Brenda Johnson, Manager, Health Benefit Program (Risk Management Unit).

The evaluation scoring sheet and a copy of the public notice are attached.

Respectfully submitted,

Linda M. Hodgdon

Linda M. Hodgdon
Commissioner

RFP 1333-12

## CONSULTING SERVICES

| Category | Weight | Aon Hewitt | Milliman | Segal | USI Connecticut |
|---|---|---|---|---|---|
| FINANCIAL | | | | | |
| Section A: Actuarial, Claims Audit & Procurement Consulting | 30% | 18% | 20% | 30% | 23% |
| Section B: General Health Benefits Consulting | 30% | 17% | 30% | 28% | 24% |
| Total Financial Score | 60% | 35% | 50% | 58% | 47% |
| TECHNICAL | | | | | |
| Technical Score | 40% | 33% | 29% | 32% | 17% |
| Total Score by Bidder | 100% | 68% | 79% | 90% | 64% |

| Category | Weight | Segal | Milliman | Aon Hewitt | USI Connecticut |
|---|---|---|---|---|---|
| Financial | 60% | 58% | 50% | 35% | 47% |
| Technical | 40% | 32% | 29% | 33% | 17% |
| Total Score | 100% | 90% | 79% | 68% | 64% |
| Total Rank | | 1 | 2 | 3 | 4 |

STATE OF NEW HAMPSHIRE
Department of Administrative Services

RFP# 1333-12 at 8/31/11 @ 2:00 PM
**Consulting Services - Acturial, Claim Audit, Procurement & General Health Benefits)**
FINANCIAL ONLY (60%)

## Section A

| | Total 3 Years | RFP Scoring | RFP Scoring Calculation |
|---|---|---|---|
| Aon Hewitt | $ 1,461,120.00 | 18 | =$880,000 / $1,461,120 = 0602 x 0.3 = 0.181 x 100 = 18 |
| Milliman | $ 1,300,000.00 | 20 | =$880,000 / $1,300,000 = 0.677 x 0.3 = 0.203 x 100 = 20 |
| Segal | $ 880,000.00 | 30 | Basis, full 30 points |
| USI | $ 1,155,000.00 | 23 | =$880,000 / $1,155,000 = 0.762 x 0.3 = 0.229 x 100 = 23 |

## Section B

| | Total 3 Years | RFP Scoring | RFP Scoring Calculation |
|---|---|---|---|
| Aon Hewitt | $ 801,543.00 | 17 | =$460,750 / $801,543 = 0.575 x 0.3 = 0.172 x 100 = 17 |
| Milliman | $ 460,750.00 | 30 | Basis, full 30 points |
| Segal | $ 495,000.00 | 28 | =$460,750 / $495,000 = 0.931 x 0.3 = 0.279 x 100 = 28 |
| USI | $ 587,125.00 | 24 | =$460,750 / $587,125 = 0.785 x 0.3 = 0.235 x 100 = 24 |

## Total Section A & B

| | Total 3 Years | RFP Scoring |
|---|---|---|
| Aon Hewitt | $ 2,262,663.00 | 35 |
| Milliman | $ 1,760,750.00 | 50 |
| Segal | $ 1,375,000.00 | 58 |
| USI | $ 1,742,125.00 | 47 |

STATE OF NEW HAMPSHIRE
RFP 1333-12
Consulting Services - Actuarial, Claim Audit, Procurement General Health Benefits
**TECHNICAL ONLY (40%)**

| | | Section V / Questionnaire (40%) | |
|---|---|---|---|
| **Aon Hewitt** | | | |
| Michael Connor | | 35 | |
| Mark Fairbank | | 34 | |
| Brenda Johnson | | 31 | |
| | *total points* | | 100 |
| **FINAL SCORE** | | 33% | |
| **Milliman** | | | |
| Michael Connor | | 33 | |
| Mark Fairbank | | 23 | |
| Brenda Johnson | | 31 | |
| | *total points* | | 87 |
| **FINAL SCORE** | | 29% | |
| **Segal** | | | |
| Michael Connor | | 38 | |
| Mark Fairbank | | 28 | |
| Brenda Johnson | | 30 | |
| | *total points* | | 96 |
| **FINAL SCORE** | | 32% | |
| **USI Connecticut** | | | |
| Michael Connor | | 14 | |
| Mark Fairbank | | 12 | |
| Brenda Johnson | | 26 | |
| | *total points* | | 52 |
| **FINAL SCORE** | | 17% | |

**RFP 1333-12 – CONSULTING SERVICES**
(ACTUARIAL, CLAIMS AUDIT & GENERAL HEALTH BENEFITS)

## Evaluation Committee Members

### MELANIE CARRAHER

Current Position: Purchasing Agent, Department of Administrative Services, Bureau of Purchase and Property

Background: Ms. Carraher has been employed by the State of New Hampshire for the past 4 years. During that time, she worked three years as an Accountant for the business office as well as for the Bureau of Accounting, and one year as a Purchasing Agent. Her responsibilities include contract and specification development, evaluating bids, and analyzing appropriations and encumbrances. Ms. Carraher received her Master of Business Administration, from Southern New Hampshire University in 2010.

### MICHAEL CONNOR

Current Position: Director, Plant and Property Management

Employed with the State of New Hampshire: 34 years

Background: Mr. Connor oversees the statewide procurement of goods and services through the Bureaus of Purchase and Property and Bureau of Graphic Services and design and construction services through the Bureau of Public Works Design and Construction. Mr. Connor has over 24 years of experience in procurement of goods and services.

### MARK FAIRBANK

Current Position: Program Manager, Department of Administrative Services, Commissioner's Office

Background: Mr. Fairbank has worked for the Department of Administrative Services as a Program Manager since December 2008. In that role, he led the Change Management, Training, and Business Process Improvement functions for the statewide implementation of the Lawson ERP system and has focused on continuous business process improvements. He is currently leading the next phase of the Lawson ERP implementation of statewide HR and Payroll Functions. Prior to joining the State, he served as a professional consultant in financial service implementations, vice president of client services for Fidelity Investments HR/Payroll business process outsourcing services, coo/cfo for a state agency and statewide payroll manager for the Commonwealth of Massachusetts.

**BRENDA JOHNSON**

Current Position: Health Benefits Program Manager, Department of Administrative Services, Risk Management Unit

Background: Ms. Johnson has been a member of the RMU of DAS since June, 2010 with responsibility for managing the internal operations staff, external vendors, employee communications and plan design changes. She has over 20 years professional HR management experience in the private sector to include strategic benefits and compensation design, compliance, communications, implementation and vendor management, HRIS design and implementation, payroll management, and organizational mergers, acquisitions and change management. She earned her Masters of Science in Human Resources Management with a specialty in Compensation and Benefits Design and Compliance from Loyola University in Chicago.

**ROBERT STOWELL**

Current Position: Administrator IV, Bureau of Purchase and Property

Background: Mr. Stowell has worked for the State for 8 years and is presently the Administrator of the Bureau of Purchase and Property. Additionally, Mr. Stowell has 30 years of contract experience in the private sector as the Director of Materials, Director of Logistics and Sales Administration.

Subject: **CONSULTING SERVICES (Actuarial, Claim Audit, Procurement & General Health Benefits)**

## AGREEMENT

The State of New Hampshire and the Contractor hereby mutually agree as follows:

**GENERAL PROVISIONS**

**1. IDENTIFICATION.**

| | | | |
|---|---|---|---|
| 1.1 State Agency Name<br>Department of Administrative Services | | 1.2 State Agency Address<br>State House Annex, 25 Capitol Street<br>Concord NH 03301 | |
| 1.3 Contractor Name<br>The Segal Company | | 1.4 Contractor Address<br>116 Huntington Avenue<br>Boston, MA 02116 | |
| 1.5 Contractor Phone Number<br>617 424-7337, or 617 424-7341 | 1.6 Account Number<br>See Appendix A | 1.7 Completion Date<br>December 31, 2014 | 1.8 Price Limitation<br>$1,375,000 |
| 1.9 Contracting Officer for State Agency<br>Monica Ciolfi, Administrator<br>Risk Management Unit | | 1.10 State Agency Telephone Number<br>(603) 271-2059 | |
| 1.11 Contractor Signature<br>Andrew D. Sherman | | 1.12 Name and Title of Contractor Signatory<br>Andrew D. Sherman<br>Sr. V.P. | |

1.13 Acknowledgement: State of Massachusetts, County of Suffolk

On November, 9, 2011, before the undersigned officer, personally appeared the person identified in block 1.12, or satisfactorily proven to be the person whose name is signed in block 1.11, and acknowledged that s/he executed this document in the capacity indicated in block 1.12.

1.13.1 Signature of Notary Public or Justice of the Peace [Seal]

J. PATIENCE BOYD
Notary Public
COMMONWEALTH OF MASSACHUSETTS
My Commission Expires
April 28, 2017

1.13.2 Name and Title of Notary or Justice of the Peace
J. Patience Boyd
Notary Public

| | |
|---|---|
| 1.14 State Agency Signature<br>Linda M. Hodgdon | 1.15 Name and Title of State Agency Signatory<br>Linda M. Hodgdon, Commissioner<br>Department of Administrative Services |

1.16 Approval by the N.H. Department of Administration, Division of Personnel *(if applicable)*

By: Director, On:

1.17 Approval by the Attorney General (Form, Substance and Execution)

By: Rosemary Wiant On: 11-21-11

1.18 Approval by the Governor and Executive Council

By: **DEPUTY SECRETARY OF STATE** NOV 30 2011

Contractor's Initials
Date 11/9/11

**2. EMPLOYMENT OF CONTRACTOR/SERVICES TO BE PERFORMED.** The State of New Hampshire, acting through the agency identified in block 1.1 ("State"), engages contractor identified in block 1.3 ("Contractor") to perform, and the Contractor shall perform, the work or sale of goods, or both, identified and more particularly described in the attached EXHIBIT A which is incorporated herein by reference ("Services").

**3. EFFECTIVE DATE/COMPLETION OF SERVICES.**

3.1 Notwithstanding any provision of this Agreement to the contrary, and subject to the approval of the Governor and Executive Council of the State of New Hampshire, this Agreement, and all obligations of the parties hereunder, shall not become effective until the date the Governor and Executive Council approve this Agreement ("Effective Date").
3.2 If the Contractor commences the Services prior to the Effective Date, all Services performed by the Contractor prior to the Effective Date shall be performed at the sole risk of the Contractor, and in the event that this Agreement does not become effective, the State shall have no liability to the Contractor, including without limitation, any obligation to pay the Contractor for any costs incurred or Services performed. Contractor must complete all Services by the Completion Date specified in block 1.7.

**4. CONDITIONAL NATURE OF AGREEMENT.** Notwithstanding any provision of this Agreement to the contrary, all obligations of the State hereunder, including, without limitation, the continuance of payments hereunder, are contingent upon the availability and continued appropriation of funds, and in no event shall the State be liable for any payments hereunder in excess of such available appropriated funds. In the event of a reduction or termination of appropriated funds, the State shall have the right to withhold payment until such funds become available, if ever, and shall have the right to terminate this Agreement immediately upon giving the Contractor notice of such termination. The State shall not be required to transfer funds from any other account to the Account identified in block 1.6 in the event funds in that Account are reduced or unavailable.

**5. CONTRACT PRICE/PRICE LIMITATION/ PAYMENT.**
5.1 The contract price, method of payment, and terms of payment are identified and more particularly described in EXHIBIT B which is incorporated herein by reference.
5.2 The payment by the State of the contract price shall be the only and the complete reimbursement to the Contractor for all expenses, of whatever nature incurred by the Contractor in the performance hereof, and shall be the only and the complete compensation to the Contractor for the Services. The State shall have no liability to the Contractor other than the contract price.
5.3 The State reserves the right to offset from any amounts otherwise payable to the Contractor under this Agreement those liquidated amounts required or permitted by N.H. RSA 80:7 through RSA 80:7-c or any other provision of law.
5.4 Notwithstanding any provision in this Agreement to the contrary, and notwithstanding unexpected circumstances, in no event shall the total of all payments authorized, or actually made hereunder, exceed the Price Limitation set forth in block 1.8.

**6. COMPLIANCE BY CONTRACTOR WITH LAWS AND REGULATIONS/ EQUAL EMPLOYMENT OPPORTUNITY.**
6.1 In connection with the performance of the Services, the Contractor shall comply with all statutes, laws, regulations, and orders of federal, state, county or municipal authorities which impose any obligation or duty upon the Contractor, including, but not limited to, civil rights and equal opportunity laws. In addition, the Contractor shall comply with all applicable copyright laws.
6.2 During the term of this Agreement, the Contractor shall not discriminate against employees or applicants for employment because of race, color, religion, creed, age, sex, handicap, sexual orientation, or national origin and will take affirmative action to prevent such discrimination.
6.3 If this Agreement is funded in any part by monies of the United States, the Contractor shall comply with all the provisions of Executive Order No. 11246 ("Equal Employment Opportunity"), as supplemented by the regulations of the United States Department of Labor (41 C.F.R. Part 60), and with any rules, regulations and guidelines as the State of New Hampshire or the United States issue to implement these regulations. The Contractor further agrees to permit the State or United States access to any of the Contractor's books, records and accounts for the purpose of ascertaining compliance with all rules, regulations and orders, and the covenants, terms and conditions of this Agreement.

**7. PERSONNEL.**
7.1 The Contractor shall at its own expense provide all personnel necessary to perform the Services. The Contractor warrants that all personnel engaged in the Services shall be qualified to perform the Services, and shall be properly licensed and otherwise authorized to do so under all applicable laws.

7.2 Unless otherwise authorized in writing, during the term of this Agreement, and for a period of six (6) months after the Completion Date in block 1.7, the Contractor shall not hire, and shall not permit any subcontractor or other person, firm or corporation with whom it is engaged in a combined effort to perform the Services to hire, any person who is a State employee or official, who is materially involved in the procurement, administration or performance of this Agreement. This provision shall survive termination of this Agreement.
7.3 The Contracting Officer specified in block 1.9, or his or her successor, shall be the State's representative. In the event of any dispute concerning the interpretation of this Agreement, the Contracting Officer's decision shall be final for the State.

**8. EVENT OF DEFAULT/REMEDIES.**
8.1 Any one or more of the following acts or omissions of the Contractor shall constitute an event of default hereunder ("Event of Default"):
8.1.1 failure to perform the Services satisfactorily or on schedule;
8.1.2 failure to submit any report required hereunder; and/or
8.1.3 failure to perform any other covenant, term or condition of this Agreement.
8.2 Upon the occurrence of any Event of Default, the State may take any one, or more, or all, of the following actions:
8.2.1 give the Contractor a written notice specifying the Event of Default and requiring it to be remedied within, in the absence of a greater or lesser specification of time, thirty (30) days from the date of the notice; and if the Event of Default is not timely remedied, terminate this Agreement, effective two (2) days after giving the Contractor notice of termination;
8.2.2 give the Contractor a written notice specifying the Event of Default and suspending all payments to be made under this Agreement and ordering that the portion of the contract price which would otherwise accrue to the Contractor during the period from the date of such notice until such time as the State determines that the Contractor has cured the Event of Default shall never be paid to the Contractor;
8.2.3 set off against any other obligations the State may owe to the Contractor any damages the State suffers by reason of any Event of Default; and/or
8.2.4 treat the Agreement as breached and pursue any of its remedies at law or in equity, or both.

**9. DATA/ACCESS/CONFIDENTIALITY/ PRESERVATION.**
9.1 As used in this Agreement, the word "data" shall mean all information and things developed or obtained during the performance of, or acquired or developed by reason of, this Agreement, including, but not limited to, all studies, reports, files, formulae, surveys, maps, charts, sound recordings, video recordings, pictorial reproductions, drawings, analyses, graphic representations, computer programs, computer printouts, notes, letters, memoranda, papers, and documents, all whether finished or unfinished.
9.2 All data and any property which has been received from the State or purchased with funds provided for that purpose under this Agreement, shall be the property of the State, and shall be returned to the State upon demand or upon termination of this Agreement for any reason.
9.3 Confidentiality of data shall be governed by N.H. RSA chapter 91-A or other existing law. Disclosure of data requires prior written approval of the State.

**10. TERMINATION.** In the event of an early termination of this Agreement for any reason other than the completion of the Services, the Contractor shall deliver to the Contracting Officer, not later than fifteen (15) days after the date of termination, a report ("Termination Report") describing in detail all Services performed, and the contract price earned, to and including the date of termination. The form, subject matter, content, and number of copies of the Termination Report shall be identical to those of any Final Report described in the attached EXHIBIT A.

**11. CONTRACTOR'S RELATION TO THE STATE.** In the performance of this Agreement the Contractor is in all respects an independent contractor, and is neither an agent nor an employee of the State. Neither the Contractor nor any of its officers, employees, agents or members shall have authority to bind the State or receive any benefits, workers' compensation or other emoluments provided by the State to its employees.

**12. ASSIGNMENT/DELEGATION/SUBCONTRACTS.** The Contractor shall not assign, or otherwise transfer any interest in this Agreement without the prior written consent of the N.H. Department of Administrative Services. None of the Services shall be subcontracted by the Contractor without the prior written consent of the State.

**13. INDEMNIFICATION.** The Contractor shall defend, indemnify and hold harmless the State, its officers and employees, from and against any and all losses suffered by the State, its officers and employees, and any and all claims, liabilities or penalties asserted against the State, its officers and employees, by or on behalf of any person, on account of, based or resulting from, arising out of (or which may be claimed to arise out of) the acts or omissions of the Contractor.

Contractor's Initials
Date 11/7/1

Notwithstanding the foregoing, nothing herein contained shall be deemed to constitute a waiver of the sovereign immunity of the State, which immunity is hereby reserved to the State. This covenant in paragraph 13 shall survive the termination of this Agreement.

**14. INSURANCE.**

14.1 The Contractor shall, at its sole expense, obtain and maintain in force, and shall require any subcontractor or assignee to obtain and maintain in force, the following insurance:

14.1.1 comprehensive general liability insurance against all claims of bodily injury, death or property damage, in amounts of not less than $250,000 per claim and $2,000,000 per occurrence; and

14.1.2 fire and extended coverage insurance covering all property subject to subparagraph 9.2 herein, in an amount not less than 80% of the whole replacement value of the property.

14.2 The policies described in subparagraph 14.1 herein shall be on policy forms and endorsements approved for use in the State of New Hampshire by the N.H. Department of Insurance, and issued by insurers licensed in the State of New Hampshire.

14.3 The Contractor shall furnish to the Contracting Officer identified in block 1.9, or his or her successor, a certificate(s) of insurance for all insurance required under this Agreement. Contractor shall also furnish to the Contracting Officer identified in block 1.9, or his or her successor, certificate(s) of insurance for all renewal(s) of insurance required under this Agreement no later than fifteen (15) days prior to the expiration date of each of the insurance policies. The certificate(s) of insurance and any renewals thereof shall be attached and are incorporated herein by reference. Each certificate(s) of insurance shall contain a clause requiring the insurer to endeavor to provide the Contracting Officer identified in block 1.9, or his or her successor, no less than ten (10) days prior written notice of cancellation or modification of the policy.

**15. WORKERS' COMPENSATION.**

15.1 By signing this agreement, the Contractor agrees, certifies and warrants that the Contractor is in compliance with or exempt from, the requirements of N.H. RSA chapter 281-A *("Workers' Compensation").*

*15.2* To the extent the Contractor is subject to the requirements of N.H. RSA chapter 281-A, Contractor shall maintain, and require any subcontractor or assignee to secure and maintain, payment of Workers' Compensation in connection with activities which the person proposes to undertake pursuant to this Agreement. Contractor shall furnish the Contracting Officer identified in block 1.9, or his or her successor, proof of Workers' Compensation in the manner described in N.H. RSA chapter 281-A and any applicable renewal(s) thereof, which shall be attached and are incorporated herein by reference. The State shall not be responsible for payment of any Workers' Compensation premiums or for any other claim or benefit for Contractor, or any subcontractor or employee of Contractor, which might arise under applicable State of New Hampshire Workers' Compensation laws in connection with the performance of the Services under this Agreement.

**16. WAIVER OF BREACH.** No failure by the State to enforce any provisions hereof after any Event of Default shall be deemed a waiver of its rights with regard to that Event of Default, or any subsequent Event of Default. No express failure to enforce any Event of Default shall be deemed a waiver of the right of the State to enforce each and all of the provisions hereof upon any further or other Event of Default on the part of the Contractor.

**17. NOTICE.** Any notice by a party hereto to the other party shall be deemed to have been duly delivered or given at the time of mailing by certified mail, postage prepaid, in a United States Post Office addressed to the parties at the addresses given in blocks 1.2 and 1.4, herein.

**18. AMENDMENT.** This Agreement may be amended, waived or discharged only by an instrument in writing signed by the parties hereto and only after approval of such amendment, waiver or discharge by the Governor and Executive Council of the State of New Hampshire.

**19. CONSTRUCTION OF AGREEMENT AND TERMS.** This Agreement shall be construed in accordance with the laws of the State of New Hampshire, and is binding upon and inures to the benefit of the parties and their respective successors and assigns. The wording used in this Agreement is the wording chosen by the parties to express their mutual intent, and no rule of construction shall be applied against or in favor of any party.

**20. THIRD PARTIES.** The parties hereto do not intend to benefit any third parties and this Agreement shall not be construed to confer any such benefit.

**21. HEADINGS.** The headings throughout the Agreement are for reference purposes only, and the words contained therein shall in no way be held to explain, modify, amplify or aid in the interpretation, construction or meaning of the provisions of this Agreement.

Contractor's Initials CKB
Date 11/9/11

**22. SPECIAL PROVISIONS.** Additional provisions set forth in the attached EXHIBIT C are incorporated herein by reference.

**23. SEVERABILITY.** In the event any of the provisions of this Agreement are held by a court of competent jurisdiction to be contrary to any state or federal law, the remaining provisions of this Agreement will remain in full force and effect.

**24. ENTIRE AGREEMENT.** This Agreement, which may be executed in a number of counterparts, each of which shall be deemed an original, constitutes the entire Agreement and understanding between the parties, and supersedes all prior Agreements and understandings relating hereto.

Contractor's Initials
Date 6/9/1

**EXHIBIT A**
**SCOPE OF SERVICES**

## I. PURPOSE:

The Department of Administrative Services (the "Department"), through the Risk Management Unit (RMU) and in collaboration with the Division of Personnel (DOP), is responsible for the administration of the State Employee and Retiree Health Benefit Program (the "Program") and procurement of all necessary services. The Program offers employee and retiree health (including pharmacy coverage) and dental coverage under a self-funded plan and voluntary retiree dental plan. The Program also offers through the DOP, flexible spending (FSA) benefits (medical and dependent care), voluntary benefits (critical illness, disability and accident) and through the Risk Management Unit a benefit that allows co-payment, co-insurance and deductible reimbursement through a Health Reimbursement Arrangement (HRA). Benefits are provided to approximately 11,800 active employees and their families located in New Hampshire and the surrounding New England states and approximately 10,800 retirees located throughout the United States.

The Segal Company (hereinafter referred to as "Contractor") hereby agrees to provide the State of New Hampshire, Department of Administrative Services through the Risk Management Unit, Consulting Services for Actuarial, Claim Audit, Procurement and General Health Benefits, in accordance with RFP 1333-12 and as described herein.

## II. TERM:

The term of the contract shall be for a thirty-six (36) month period set to commence on January 1, 2012 and expire thereafter on December 31, 2014.

The State of New Hampshire shall have the right to terminate the contract at any time by giving the Contractor thirty (30) days advance written notice.

## III. CONSULTING SERVICES:

The consulting services described in this Section, Section III – Consulting Services, are the **mandatory minimum services** to be performed by the Contractor.

### A. Actuarial and Underwriting

#### 1. Budget and Working Rates

The State self funds its seven health plans and its dental benefits. Rate projections are required to inform the State's bi-annual budgeting process, annual working rates and on an as needed basis as administrative contracts change. The Contractor shall provide actuarial services and underwriting review of medical, prescription and dental plans to ensure appropriate working rates, IBNR and reserve levels to include, but not be limited to, the following:

- Review and assess claims and other relevant data provided by both the State and its vendors
- Work with vendors directly, if necessary, to obtain accurate and complete data.
- Develop claims lag analysis based on data provided by the vendors, and using appropriate actuarial completion factors.

Contractor's Initials
Date 11/9/11

- Evaluate benefit costs, current and projected as indicated in accounting and budgeting documentation provided by the State.
- Evaluate enrollment (actual and projected), trend factors (national and local), vendors obtainment of guaranteed network discounts, administrative expenses, extraordinary liabilities or recoveries (actual and projected), and any other factors which materially impact appropriate rate projections and rate setting.
- Evaluate medical plan financial position (surplus/deficit) based on revenue and cost projections developed by the vendor, and utilizing accounting and budget documentation provided by the State.
- Develop appropriate working rate projections (and actual rate recommendations) on both calendar and fiscal year basis.
- Provide analysis reports and relevant documentation (files) supporting recommendations, and detailing the analyses performed.
- Present and provide explanations of analysis and recommendations to State administrators and representatives from the State Employee Association designated by the State.

**2. Medicare Part D Subsidy Attestations**

The State has participated in the Retiree Drug Subsidy Program since it was enacted in 2006. To qualify for the subsidy, the State must show that its coverage is "actuarially equivalent" to, or at least as generous as, the defined standard Medicare Part D coverage. The State's plan years run from July of each year to June of the following year consistent with the State's fiscal cycle. Therefore, the Contractor shall provide an actuary to perform the following services on the State's behalf as part of its requirement to participate in the Retiree Drug Subsidy Program:

- Perform an actuarial evaluation of the State retiree prescription drug program to determine the plan's actuarial equivalence to the Medicare Part D benefit at a minimum on an annual basis in addition to and as needed upon plan design changes; and
- Provide an actuary who can be assigned as a designee on the State's behalf, to provide the actuarial attestation to CMS (Medicare) through the online Retiree Drug Subsidy Program as defined by the State's fiscal plan year for the subsidy.

**3. Governmental Accounting Standards Board/Other Post-Employment Welfare Benefit (GASB/OPEB) Valuations**

The State is required to provide bi-annual GASB/OPEB valuations along with updates of any impact on alternating years. In CY 2013, an impact updated will be required. In CY 2014, the State will require a GASB/OPEB valuation to disclose the future liability for funding a State paid retiree health benefit. The Program's current consulting services vendor will produce the valuation of the State's retiree health benefit liability as of December 31, 2010 for inclusion in the State's FY11 Comprehensive Annual Financial Report (CAFR).

The Contractor shall provide actuarial consulting for a bi-annual valuation report, impact updates, as well as ad hoc analyses of its post-employment welfare benefit program. The State's GASB/OPEB updates must reflect changes from collective bargaining, and other initiatives to adjust the benefit design of the active and retiree plans, as well as the eligibility rules for the latter.

**B. Health Benefit Vendor Claims Audits**

Contractor's Initials DB
Date 4/9/11

The following outlines the minimum activities expected to be included in each of the health benefit vendor claims audits as they apply to each respective audit outlined below. The Contractor shall perform audits on claims paid under the third party administrator contracts outlined below and under any subsequent contracts for these services during the period of this contract. It is at the State's sole discretion should it choose not to perform the following audits.

1. **Medical Claims Third Party Administrator**

   The State currently contracts with Anthem for its medical and behavioral health benefits for State employees and retirees. Claims are paid from Anthem's Connecticut claims office. The program is managed and serviced out of Anthem's Manchester, NH branch. The State's contract with Anthem expires on December 31, 2012. The State's expects to audit this contract on an annual basis approximately (3) three to (6) six months following the close of each calendar year to allow for claims run out.

2. **Pharmacy Claims Third Party Administrator**

   The State currently contracts with the Local Government Center (LGC), which subcontracts the third party claims administration to Caremark for the State's prescription drug benefits for State employees and retirees. Claims are paid from Caremark's online claims system with redundant services throughout the United States. The program is managed and serviced out of LGC's Concord, NH office. Customer service for the program is handled both at LGC's Concord, NH office and out of Caremark's San Antonio, TX office. The State is contracted with LGC through December 31, 2013.

3. **Dental Claims Third Party Administrator**
   The State currently contacts with Northeast Delta Dental (NEDD). Claims are paid from NEDD's Concord, NH claims office. The State's dental program is managed and serviced out of NEDD's Concord, NH office. The State is contracted with NEDD through December 31, 2012.

4. **Flexible Spending and Health Reimbursement Arrangement Claims Administrator**
   The State currently contracts with Employee Benefits Management, Incorporated (EBM) for its flexible spending (medical and dependent care) accounts (FSA) and health reimbursement arrangements (HRA). EBM is the broker of record for these services and sub-contracts the claims administration to Combined Services, LLC (CSLLC). EBMI's office is located in Portland, Maine. CSLLC's office is located in Concord, NH. Claims are processed at CSLLC's Concord, NH office. The State is contracted with EBM through December 31, 2014.

**Health Benefit Claims Audit Requirements**

Audits should include the following evaluations and reviews as applicable to the respective service or benefit:

- Evaluation of the vendors' performance in accordance with the provisions of the State health plan documents, the contractual agreements between the vendor and the State, and the State's benefit booklets.

- Review of: operations, service, claim adjudication and payment, obtaining of guaranteed provider discounts, and the vendors' application of participating provider agreements and all other service and financial agreements in order to maximize savings to the State's health plans.

- Specific to the State's managed behavioral health claims and operations: evaluation of the vendor's performance including claims processing accuracy, financial accuracy, time to process claims, management of behavioral health care to maximize savings on both an

Contractor's Initials
Date

inpatient and outpatient basis, adequacy of geographic network, access to necessary specialties, utilization review processes and quality assurance programs, and claim and dispute resolution procedures.

- Review of areas where the vendor is obligated to coordinate with the State's other vendors, evaluate the transfer and reconciliation of enrollment data, claims data, common medical deductible administration, disease management and large case management programs.

- Evaluate all areas for which there are contractual performance guarantees against those guarantees, to determine whether the vendor did or did not meet the guarantee for the applicable time period.

- For claims processing and operations, evaluate the vendors performance in the area of other party liability application and recovery, and whether these applications are maximized and applied consistently in accordance with industry norms, and with the applicable vendor contracts.

- Evaluate vendor's performance in maximizing Coordination of Benefits (COB) savings for the State. Many State employees have working spouses covered by other medical plans. Determine how the vendor investigates for the existence of other coverage, how frequently this information is updated, and how it is updated. Determine how the vendor is investigating for Worker's Compensation and other accident liability before paying a claim.

- Specific to the State's prescription drug plan, evaluate the vendors performance in the following areas:

  a. Dispensing accuracy in prescription fulfillment;

  b. Financial accuracy;

  c. Generic substitution efficiency rate;

  d. Clinical management programs;

  e. Savings guarantees (retail pharmacy discounts, mail order discounts);

  f. Rebate guarantees;

  g. Product switch/intervention efforts;

  h. Lower of Usual and Customary price guarantee;

  i. Electronic edit and concurrent DUR savings;

  j. Retrospective Drug Utilization Review savings

- Evaluate the vendor's subrogation investigational procedures, and its subrogation performance on the State's plans.

- Evaluate vendor's performance in all applicable areas, including Medicare, Medicaid, and Workers Compensation.

Contractor's Initials
Date 11/9/11

- As a self-funded plan, the State is interested in aggressive fraud controls. Evaluate the quality of vendor's internal audit procedures and fraud controls, and evaluate vendor's performance on State's plans.

- Specific to the medical benefits administrator, evaluate the vendor's performance, as applicable, in the areas of: preadmission certification, concurrent review, discharge planning, retrospective claims review; and individual and large case management.

- Evaluate vendor's performance against the discount guarantees in each of the vendor contracts. Determine the extent to which plan savings and discounts are being applied to submitted claims. Based on this information, estimate the expected level of realized plan savings to the State for the contract year.

- Using a statistically valid sampling methodology, determine the financial accuracy and timeliness of claim payments in accordance with the performance measures in the State's contracts with the vendor. Confirm that the sample will be selected in conformity with acceptable scientific random sampling procedures. For the sampling methodology, state the confidence level, tolerance and expected error rate that the sample will test. State the minimum sample size to be surveyed and the methodology to be used in the sample.

- Determining that adequate internal controls are in place and operating effectively to ensure the accurate and timely processing of medical and behavioral health claims.

- Determining the accuracy of claim coding. Reviewing adequacy of vendor's methods for identifying inappropriate coding of procedures by hospitals and providers (upcoding, unbundling, etc.). Review vendor's system on-line edits for proficiency in ensuring medical and behavioral health claims processing accuracy, identifying potential ineligible charges, flagging questionable providers and/or charges requiring referral for medical review, and prohibiting duplicate payments.

- Evaluate the vendor's interpretation and performance of services and payments against state plan's administrative provisions and utilization review requirements

- Specific to dental benefits administration, evaluate the vendor's performance including claims processing accuracy, financial accuracy, and time to process claims, management of dental care to maximize savings on an outpatient basis, adequacy of geographic network, access to necessary specialties, utilization review processes and quality assurance programs, and claim and dispute resolution procedures.

**Health Benefits Claims Audit Reports Requirements**

Upon completion of each of the audits listed above, the Contractor shall provide a comprehensive report of its analysis performed. The report shall be tailored as applicable to the type audit it entails. At a minimum, each report shall include:

a. A summary of audit activities performed;

b. Outline of the specific operational procedures reviewed;

c. Outline of the claims audit processes and outcomes;

d. A summary of performance guarantees reviewed including comments and recommendations about the vendor's performance;

Contractor's Initials [illegible]
Date 11/9/1[illegible]

e. A listing of claims errors by type and an explanations of the error as they relate to the performance guarantees and the amounts the State should collect from the vendor if applicable

f. A listing and description of all errors, observations and concerns

## C. Health Benefit Vendor Contract Procurements

Periodically, the Department seeks competitive proposals for the key components of the Program. The Department requires technical review and related assistance in the development its Requests for Proposal (RFP), Requests for Information (RFI) and Request's for Bid (RFB). The Department also requires varying levels of underwriting and actuarial analysis of rate quotes and cost proposals. Finally, the Department requires varying levels of review and technical assistance in evaluating the range of services as prescribed in the respective RFPs.

### Procurement Component Definitions

The following section describes and defines the procurement components and the role the State anticipates for that of the Contractor as it applies to each of the RFP's the State anticipates issuing during the Agreement period.

1. **RFP, RFB and RFI Drafting.** The RMU works with various other departments, as well as bureaus and divisions within the Department to draft the requirements for its RFP's, RFI's and RFB's for the State's health benefit program. The latter include, but are not limited to, the Bureau of Purchase and Property, Division of Personnel, Financial Data Management, and Accounting Services.

   The RMU has overall responsibility to generate the requirements language for the various procurements which comprise the services necessary to administer the health benefit program. The Bureau of Purchase and Property works in collaborative partnership with the RMU to ensure the integrity of the procurement process and serves as the Department's front line contact during the procurement process.

   The Contractor shall assist the RMU with drafting requirements based on its industry experience and expertise gained from servicing other similarly situated employers.

2. **Scoring Financial Proposal.** The RMU does not employ actuaries or underwriters in its health benefits program. Nor does it have software tools to support analysis of claims based proposals and projected costs. The Contractor shall support the RMU and perform actual financial scoring of proposals for those proposals that have this requirement.

3. **Scoring Technical Proposal.** In certain instances, the RMU may seek industry-based expertise to evaluate and score highly technical or specialized portions of its proposals. Most of the State's proposals include a financial portion and the remainder of the proposal is defined as the technical proposal. The State may defer some or all of certain technical portions of its procurements to the Contractor.

4. **Proposal Review, Comments and Recommendations without Scoring.** In some instances, the RMU in collaboration with the Bureau of Purchase and Property will seek the input of the Contractor but will not require evaluation and scoring assistance. In these cases, the RMU will provide the Contractor copies of the qualified proposals and solicit advice regarding completeness, integrity, reasonableness or other aspects of the proposals.

5. **Technical Advice/Consulting.** Because the State is self-funded for majority of its health benefits, the State contracts with third party administrators to handle its claims and other functions of

Contractor's Initials
Date 11/7/11

the program administration. As part of its bid submission each administrator proposes various technology solutions to meet the scope of services the State requests to be included in its contracts for services. From time to time the Sate may seek industry based expertise from its Contractor to assist with the evaluation of a bidder's submission of technology solutions it is not currently familiar. The State seeks to adopt best practices for the types of services it contracts for and may need assistance from its Contractor to determine whether a bidder meets a threshold with respect to its proposed technological solutions. In addition, the State may seek general guidance or "brainstorming" regarding technological solutions for which the State lacks internal expertise.

6. **Contractual Recommendations.** Following the competitive bidding portion of each procurement, the RMU in collaboration with the Bureau of Purchase and Property negotiates the terms of each of its contracts. From time to time, the State may seek the advice of its Contractor identifying issues for inclusion in an agreement document or may request review of portions of draft documents. In all instances, the State will formally negotiate and execute its agreements with vendors and perform its own legal review of agreement documents.

**Procurements**

The following grid identifies the contracts that will expire or need to be issued during the term of this contract:

| Service | Current Vendor | Contract End Date |
|---|---|---|
| Flexible Spending and Health Reimbursement Arrangements Administrator | EBMI/CSLLC | 12/31/2014 |
| Medical Benefits Administration | Anthem, BCBS, NH | 12/31/2012 |
| Dental Benefits Administration | Northeast Delta Dental | 12/31/2012 |
| Pharmacy Benefits Management | Local Government Center/Caremark | 12/31/2013 |
| Enrollment and Eligibility Administration | EBM/Common Census | 06/30/2014 |
| Employee Wellness Incentive Administrator | See note below** | |

** The State may elect to include services within the medical administrator contract.

The following section outlines the scope of required consulting services for each of the anticipated procurements as outlined above that the State will be issuing during the Agreement period.

Contractor's Initials
Date 11/9/11

1. **Medical Benefits Administration**

The State will be releasing a request for proposal for medical benefits administration as soon as practicable working with the Contractor. The Contractor shall play an integral role with this procurement with respect to drafting the requirements, scoring the financial and performance guarantees of the proposals and reviewing and making recommendations from an industry perspective terms for inclusion in the contract.

The following chart outlines the specific areas the Contractor shall provide assistance to the State.

| **Procurement:** | Medical Benefits Administrator (TPA) | | | | | |
|---|---|---|---|---|---|---|
| | **Procurement Component** | | | | | |
| **Consultant Service** | **Financial Scoring Method** | **Performance Guarantees** | **Provider Network Adequacy and Disruption Analysis** | **Care Management and Coordination** | **Account Manageme nt** | **Customer Service** |
| RFP Drafting | X | X | X | X | X | X |
| Scoring Financial Proposal | X | X | | | | |
| Scoring Technical Proposal | | | X | | | |
| Proposal Review, Comments & Recommendations w/out Scoring | | | X | X | X | X |
| Technical Advice/consulting | | | | | X | |
| Contracting Recommendations | X | X | X | X | X | X |

Contractor's Initials CDP
Date 11/9/11

## 2. Dental Benefits Administration

The State will be releasing an RFP for dental benefits administration directly following if not in parallel with the medical benefits RFP as soon as practicable working with the Contractor. The current contract shall expire on December 31, 2012. The Contractor shall play an integral role with this procurement with respect to drafting the requirements, scoring the financial and performance guarantees of the proposals and reviewing and making recommendations from an industry perspective, terms for inclusion in the contract. A team selected internally by the State shall score the technical portion of this RFP.

The following chart outlines the specific areas the Contractor shall provide assistance to the State.

| **Procurement:** | Dental Benefits Administrator (TPA) | | | | | |
|---|---|---|---|---|---|---|
| | **Procurement Component** | | | | | |
| **Vendor Service** | **Financial Scoring Method** | **Performance Guarantees** | **Provider Network Adequacy and Disruption Analysis** | **Care Management and Coordination** | **Account Management** | **Customer Service** |
| RFP Drafting | X | X | X | X | X | X |
| Scoring Financial Proposal | X | X | X | | | |
| Scoring Technical Proposal | | | | | | |
| Proposal Review, Comments & Recommendations w/out Scoring | X | X | X | X | X | X |
| Technical Advice/consulting | | | | | X | |
| Contracting Recommendations | X | X | X | X | X | X |

Contractor's Initials [illegible]
Date 4/9/1[illegible]

### 3. Pharmacy Benefits Management

The State will be releasing an RFP for pharmacy benefits management in the latter part of 2012 or early part of 2013. The current contract expires on December 31, 2013. The Contractor Shall play an integral role with this procurement with respect to drafting the requirements, scoring the financial and performance guarantees of the proposals and reviewing and making recommendations, from an industry perspective, on terms for inclusion in the contract. A team selected internally by the State shall score the technical portion of this RFP.

The following chart outlines the specific areas the Contractor shall provide assistance to the State.

| **Procurement:** | Pharmacy Benefits Manager (TPA) | | | | | |
|---|---|---|---|---|---|---|
| | **Procurement Component** | | | | | |
| **Vendor Service** | **Financial Scoring Method** | **Performance Guarantees** | **Provider Network Adequacy and Disruption Analysis** | **Care Management and Coordination** | **Account Management** | **Customer Service** |
| RFP Drafting | X | X | X | X | X | X |
| Scoring Financial Proposal | X | X | | | | |
| Scoring Technical Proposal | | | X | | | |
| Proposal Review, Comments & Recommendations w/out Scoring | X | X | X | X | X | X |
| Technical Advice/consulting | | | | | | |
| Contracting Recommendations | X | X | X | X | X | X |

Contractor's Initials DR
Date 4/9/1(

## 4. Enrollment and Eligibility Administration

The State is in the course of implementing Lawson Enterprise Resource Planning (ERP) Version 9.0.1 to support administrative and financial functions including procurement, accounts payable, accounts receivable, general ledger, human resources and payroll. The first phase of this project was completed in July of 2008, replacing the budgeting system implementing a new chart of accounts. In July of 2009, the ERP financial processing modules were implemented. The human resources administration and payroll functions including many employee/manager self-service functions are the third phase of this project. This phase of the ERP project shall begin in June of 2011 and completed by January of 2013.

The Lawson ERP Human Resources/Payroll implementation shall replace the current payroll system which has been in place for over 20 years and for which maintenance support is no longer practicable. It shall add automated processes to the State's human resource management functions, such as on-line time reporting, and on-line HR/benefits administration.

Upon implementation of this phase, the State expects to commence the process, in conjunction with the State's Enrollment and Eligibility Administrator, to convert and migrate some or all of the administration of the enrollment and eligibility transactions in-house. Because it is not clear at this time whether the State will convert and migrate all of its enrollment and eligibility administration transactions in-house, the State may require consulting with respect to issuing an enrollment and eligibility administration RFP. Should the State determine it requires an enrollment and eligibility RFP, the following chart outlines what the State anticipates it will require of the Contractor.

| **Procurement:** | Enrollment and Eligibility Administrator | | | | | |
|---|---|---|---|---|---|---|
| | **Procurement Component** | | | | | |
| **Vendor Service** | **Financial Scoring Method** | **Performance Guarantees** | **Provider Network Adequacy and Disruption Analysis** | **Care Managemen t and Coordinatio n** | **Account Management** | **Customer Service** |
| RFP Drafting | | X | | | X | X |
| Scoring Financial Proposal | | | | | | |
| Scoring Technical Proposal | | | | | | |
| Proposal Review, Comments & Recommendations w/out Scoring | X | X | | | X | X |
| Technical Advice/consulting | | | | | X | X |
| Contractual Recommendations | X | X | | | X | X |

Contractor's Initials
Date 11/9/6

## 5. Flexible Spending Accounts and Health Reimbursement Arrangements

The State will be releasing a request for bid for the administration services of the FSA and HRA in the latter part of 2014. The current contract expires on December 31, 2014. The Risk Management Unit, in collaboration with the Bureau of Purchase and Property, shall score all sections of the bid. The Contractor will assist in the areas outlined in the chart below.

The following chart outlines the specific areas the Contractor shall provide assistance to the State.

| Procurement: | Flexible Spending and Health Reimbursement Arrangement Administration | | | | | |
|---|---|---|---|---|---|---|
| | Procurement Component | | | | | |
| Vendor Service | Financial Scoring Method | Performance Guarantees | Provider Network Adequacy and Disruption Analysis | Care Management and Coordination | Account Management | Customer Service |
| RFP Drafting | | | | | | |
| Scoring Financial Proposal | | | | | | |
| Scoring Technical Proposal | | | | | | |
| Proposal Review, Comments & Recommendations w/out Scoring | X | X | | | X | X |
| Technical Advice/consulting | | | | | X | X |
| Contracting Recommendations | X | X | | | X | X |

Contractor's Initials [illegible]
Date 11/9/14

## 6. Employee Wellness Program Administrator

Pursuant to current collective bargaining agreements, the State must provide a voluntary employee incentive program that offers taxable cash payments to employees who participate in health promotion activities and programs offered by the State.

The State desires to continue to work toward this end and achieve greater employee engagement with respect to individual wellness. As part of its process in developing its wellness program and employee engagement, the State reviewed its contracts with its existing health benefits vendors to work toward this goal. As a result, the State has determined that its existing benefits vendors scope of services and existing contracts do not offer the scope and quality of employee wellness products and services it wishes to offer employees and retirees. Therefore, the State intends to undertake a procurement process in CY 2012 to solicit proposals from entities, which can supply a more comprehensive and versatile program. The ultimate vendor will be fully integrated with the State's other benefits enrollment and administrative vendors.

To be consistent with the Wellness Council of America (WELCOA) who supports employee engagement in health promotion activities and health screenings as a major component within their "Seven Benchmarks to a Results Driven Wellness Program", the State is seeking to issue an RFP to contract with an administrator who can assist the State with implementing and administering an employee wellness program component to include, but not be limited to, the following:

a. An integrated primary prevention intervention through wellness and health promotion;
b. A secondary prevention intervention to include biometrics as well as early detection interventions in conjunction with administration of incentives based on validation of objective biometric and preventative care measures.

The following chart outlines the specific areas the Contractor shall provide assistance to the State.

| **Procurement:** | Wellness Incentive and Program Vendor | | | | | |
|---|---|---|---|---|---|---|
| | **Procurement Component** | | | | | |
| **Vendor Service** | **Financial Scoring Method** | **Performance Guarantees** | **Provider Network Adequacy and Disruption Analysis** | **Care Management and Coordination** | **Account Management** | **Customer Service** |
| RFP Drafting | X | X | X | X | X | X |
| Scoring Financial Proposal | X | X | | | | |
| Scoring Technical Proposal | | | | | | |
| Proposal Review, Comments & Recommendations w/out Scoring | X | X | X | X | X | X |
| Technical Advice/consulting | X | X | | | | |
| Contracting Recommendations | | | | | | |

Contractor's Initials
Date 11/7/11

## D. General Health Benefits Consulting

The Consultant shall provide general health benefits consulting services on a broad range of topics which arise in the administration of the health benefits program, at a minimum on the following topics:

### 1. HBC Consulting

The purpose of the HBC is to advise the State on issues related to the purchase and administration of health benefit plans and to make recommendations in benefit design, utilization management, and/or provider payment policies regarding the active employee membership. Some members of this group also participate in the bi-annual collective bargaining. Therefore, much of the HBC discussions directly relate to anticipated collective bargaining subjects advanced by the State and/or the SEA.

The HBC also has an HBC Wellness workgroup that reports to the HBC which is focused primarily on Governor Lynch's 2006 executive order establishing a wellness program and promoting health and wellness programs for State employees and their families. The workgroup in turn supports the Commissioner appointed wellness coordinators throughout State government in establishing and maintaining a workplace wellness program. A copy of the Governor's executive order can be found at: http://governor.nh.gov/media/orders/index.htm click on executive order 2006-7 An Order Relative to State Employee Wellness.

The Department frequently utilizes the services of the current Contractor to assist the HBC with general health benefits consulting throughout its work before, during and after collective bargaining. The Department anticipates that the Contractor will continue to provide information and assistance to the HBC and the HBC workgroup, including support in analyzing plan-specific data provided by vendors and carriers. The resources shall include, but not be limited to, providing information on health care cost trends, current trends and research on plan design, vendor management, how to obtain better access to health information, quality measures, disease management, and wellness. The Department requires regular attendance by at least one representative of the general health benefits consulting team and assist the Department with meeting preparations.

Given the nature of this relationship, the State requires the same individual continue this role throughout the life of the contract unless requested by the State or otherwise mutually agreed upon excluding times when subject matter requires other experts within your organization. This group meets on a monthly basis but may meet more frequently as business needs arise.

### 2. Collective Bargaining Agreement (CBA) Consulting

The State currently negotiates its CBA's on a bi-annual basis for classified state employees. The negotiations include wages, benefits and working conditions. It also includes agency-specific "sub-unit" agreements which are additional negotiated agreements which apply to employees of those agencies. Preparation by the State CBA team for the next cycle of bargaining will likely begin in October 2012. The actual negotiations will not begin until January 2013.

The Contractor shall advise the State negotiation team and provide financial analysis and modeling of recommended benefit design changes proposed by the State or a union. Currently, two of the State's eight (8) bargaining units have negotiated distinct health benefit plans.

Contractor's Initials CB
Date 11/9/11

3. **Retiree Health Benefits Consulting**

The State seeks advice as to the most cost-effective manner to provide coverage for its Medicare-eligible group of retirees, in light of the many recent changes to Medicare. In addition, the State seeks advice as to options for continued coverage for its early retirees. Coverage for both groups is subject to legislative oversight, but is not collectively bargained. Information regarding recent changes and current coverage is available at: http://admin.state.nh.us/hr/retirement_benefits.html

4. **Department Enrichment**

The Department is committed to developing its staff in order to meet the challenges of managing this complex and dynamic self-funded program. Some of the enrichment the Department would request, but is not limited to, the following:

- Health benefit and health policy seminars given either by the vendor or other affiliates for the types of benefits the State offers
- Vendor monitoring methodology recommendations
- Knowledge transfer on provider reimbursement, care quality strategies and other evolving market features
- Program review and analysis with recommendations for changes
- Assist the State with documenting key repetitive processes

5. **National Health Reform**

The State seeks advice on how best to leverage the Affordable Care Act (ACA) to reduce the amount the State spends on employee and retiree health care benefits. As the State procures administrative services, proposes plan design and considers other changes, it will look to the Contractor to assist in exploiting ACA opportunities to change the delivery system and reduce the rate of growth in health care costs over time. It is the intent of the State to consider the many policies resident in ACA, including the health insurance exchanges, to effectively control costs. We expect the Contractor to continuously advise us, in our on-going administration of the health and dental plans, as to strategies and opportunities for cost management and health improvement.

6. **Marketing for Employee Engagement**

The State seeks advice on enhancing its existing communication methods to achieve greater employee engagement in:

a. Wellness and health promotion;

b. Cost implications of health care decisions; and

c. General health care literacy and competence.

Contractor's Initials YB
Date 11/9/11

The State will look to the Contractor to provide assistance in creating a strategy to effectively inform, engage and motivate employees and retirees. The desired assistance will complement existing communications resources and should provide tools, programs and messaging to motivate health plan enrollees to think differently and act differently. In essence, the State seeks assistance in developing a marketing campaign to change enrollee behavior.

**7. HIPAA Consultation**

The State seeks advice and consultation to support its on-going efforts to attain HIPAA privacy and security rule compliance on the part of its health benefit program, which constitutes a "health plan" under those rules. Pursuant to the previously conducted gap analysis, the program is in the process of promulgating administrative rules to achieve state-wide policies and procedures, and seeks technical support for that effort. In addition, the Department seeks "train-the-trainer" support, to enable it to provide state-wide training on policies and procedures. Finally, the program requires ad hoc assistance to address data breaches, clarification of any law changes and guidance regarding any miscellaneous issues and complaints.

**8. Other General Health Benefits Consulting**

Because the State cannot anticipate and provide detail around all other general health benefits consulting the State may require during the Agreement period, the State may need to look to the Contractor for unanticipated health benefits program consulting. The scope of these services may be within the required services outlined in this Agreement. However, the services may instead fall within areas and topics not specifically referenced in this Agreement. In that case, the Contractor shall assign the appropriate staff based upon the State's needs, as mutually agreed.

## IV. Provisional Timeline

The following outline is a provisional timeline with respect to the State's anticipated needs for the Agreement period. This timeline is meant to illustrate the State's needs and is not meant to be exact and is subject to change based on the State's business needs.

**Based on a January 1, 2012 implementation date, the following services will be performed in Year 1 of the contract:**

- Budget rate development for State operating budget FY 14/15
- Working rate development for CY 2013 health and dental plans
- Medicare Part D actuarial equivalency determination for state retiree drug plan for Drug Subsidy plan year beginning July 1, 2012
- GASB/OPEB valuation updates
- Vendor Claims Audit reviews of:
  - Medical claims (to include Behavioral Health) for CY 2011;
  - Prescription drug claims for CY 2010 and CY 2011;
  - Dental claims for CY 2011 and;

Contractor's Initials
Date 11/9/11

- FSA/HRA claims at for CY 2010 and CY 2011

- Vendor RFP for medical benefit administrator
- Vendor RFP for dental benefits administrator
- Vendor RFP for employee wellness incentive vendor
- General benefits consulting

**Year 2 (2013) of the contract will include the following services:**

- Working rate development for CY 2014 medical and dental plans
- Medicare Part D actuarial equivalency determination for state retiree drug plan for Drug Subsidy plan year beginning July 1, 2013
- GASB/OPEB valuation
- Vendor Claims Audit reviews of:
  - Medical claims (to include Behavioral Health) for CY 2012;
  - Prescription drug claims for CY 2012;
  - Dental claims for CY 2012;
  - FSA/HRA claims for CY 2012;
- Vendor RFP for the prescription drug benefit administrator
- Vendor RFP for the FSA/HRA benefits administrator
- General benefits consulting

**Year 3 (2014) of the contract will include the following services:**

- Budget rate development for State operating budget FY 16/17
- Working rate development for CY 2015 medical and dental plans
- Medicare Part D actuarial equivalency determination for state retiree drug plan for Drug Subsidy plan year beginning July 1, 2014
- GASB/OPEB valuation updates (if needed)
- Vendor Claims Audit reviews of:
  - Medical claims (to include Behavioral Health) for CY 2013;
  - Prescription drug claims for CY 2013;
  - Dental claims for CY 2013 and;
  - FSA/HRA claims at for CY 2013

Contractor's Initials CDX
Date 11/9/14

- Vendor RFP for medical benefit administrator
- Vendor RFP for dental benefits administrator
- General benefits consulting

## V. Order of Precedence / Contract Documents

This contract consists of the following documents in order of precedence:

A. State of NH Terms and Conditions, General Provisions, Form P-37
B. Exhibit A, B, and C
C. Department of Administrative Services, Risk Management Unit, RFP 1333-12, Consulting Services (Actuarial, Claim Audit, Procurements and General Health Benefits) dated July 21, 2011, including Addendum 1, 2 and 3, are incorporated herein by reference.

Contractor's Initials
Date 11/9/16

## EXHIBIT B – CONTRACT PRICE, INVOICING AND PAYMENT TERMS

**1. Contract Price.** The Contractor hereby agrees to provide the consulting services in complete compliance with the terms and conditions specified in Exhibit A for a not to exceed price of $1,375,000; this figure shall not be considered a guaranteed or minimum figure, however it shall be considered a maximum figure from the effective date of January 1, 2012 through the expiration date set as December 31, 2014.

### A. FEE SCHEDULE FOR ACTUARIAL, CLAIMS AUDIT, AND PROCUREMENT CONSULTING SERVICES

The following schedule provides the Contractor's fees for each service as detailed in Exhibit A for each year of the contract. The fees provided herein shall equal the total maximum amount the State shall be invoiced on an annual basis for each service provided. The State shall not pay any expenses or additional fees presented by the Contractor over and above fees outlined herein.

Notwithstanding the above, the State reserves the right to re-allocate the fees associated with the specific services as necessary during the contract term by a written Change Order (see Appendix C). A Change Order shall be defined as the document used to propose and accept changes to the scope of work of the projects. Upon receipt of the Change Order, the Contractor shall advise the State, in detail, of any impact to cost (e.g., increase or decrease). Change Order(s) shall be requested and approved in advance by the Commissioner of the Department of Administrative Services. No oral order or conduct by the State shall constitute a change order unless confirmed in writing by the State.

| Service | Year One 2012 | Year Two 2013 | Year Three 2014 |
|---|---|---|---|
| **Actuarial and Underwriting** | | | |
| Budget Rate Development | $20,000 | | $22,500 |
| Working Rate Development | $50,000 | $52,000 | $54,000 |
| Medicare Part D Subsidy Attestations | $2,500 | $2,500 | $2,500 |
| GASB/OPEB Valuation | | $35,000 | |
| GASB/OPEB Valuation Updates | $3,000 | | $4,000 |
| **Health Benefit Vendor Claim Audits** | | | |
| Medical Claims Audit (to include Behavioral Health claims) | $40,000 | $42,000 | $44,000 |
| Pharmacy Claims Audit * | $35,000 | $20,000 | $20,000 |
| Dental Claims Audit | $23,000 | $24,000 | $25,000 |
| Flexible Spending/Health Reimbursement Claims Audit | $25,000 | $26,000 | $27,000 |
| **Procurements** | | | |

Contractor's Initials
Date 11/9/4

| | | | |
|---|---|---|---|
| Medical Benefits Administration | $70,000 | | $75,000 |
| Dental Benefits Administration | $17,000 | | $19,000 |
| Pharmacy Benefits Management | | $55,000 | |
| Enrollment Services | | | $15,000 |
| FSA/HRA Benefit Administration | | $7,500 | |
| Employee Wellness Incentive Administrator | $22,500 | | |
| **Annual Totals** | $308,000 | $264,000 | $308,000 |
| | **Year One 2012** | **Year Two 2013** | **Year Three 2014** |

* The Year One (2012) audit, includes a Prescription Drug Potential Fraud & Abuse Review.

Contractor's Initials CJS
Date 11/9/11

## B. RATE SCHEDULE FOR GENERAL HEALTH BENEFITS CONSULTING SERVICES

The following rate schedule provides the Contractor's rates for each project area for each year of the contract. Prior to the commencement of any consulting services for the project areas listed, the State shall provide the Contractor with a detailed scope of work. Upon receipt, the Contractor shall submit a price quote to the State for the project(s) detailing the total amount of staff hours and hourly rate (in accordance with the rate schedule below) including a not to exceed dollar amount. The price quote(s) shall be submitted to the Contracting Officer, as set forth in Section 1.9 of the Form P-37, for approval by the State.

Notwithstanding the above, the State reserves the right to request changes or revisions to the scope of the projects at any time during the contract by a written Change Order (see Appendix C). A Change Order shall be defined as the document used to propose and accept changes to the scope of work of the projects. Upon receipt of the Change Order, the Contractor shall advise the State, in detail, the hours and total price based upon the rates detailed below (e.g., increase or decrease). Change Order(s) shall be requested and approved in advance by the Commissioner of the Department of Administrative Services. No oral order or conduct by the State shall constitute a change order unless confirmed in writing by the State.

| General Health Benefits Consulting | Estimated Hours Required/ Blended Rate | Year One 2012 | Estimated Hours Required/ Blended Rate | Year Two 2013 | Estimated Hours Required/ Blended Rate | Year Three 2014 |
|---|---|---|---|---|---|---|
| HBC Support | 50 x $300 | $15,000 | 50 x $300 | $15,000 | 50 x $300 | $15,000 |
| Collective Bargaining | 25 x $300 | $7,500 | 75 x $266.67 | $20,000 | 25 x $300 | $7,500 |
| Retiree Health Benefits | 100 x $280 | $28,000 | 100 x $290 | $29,000 | 100 x $300 | $30,000 |
| Department Enrichment | 25 x $300 | $7,500 | 25 x $300 | $7,500 | 25 x $300 | $7,500 |
| National Healthcare Reform | 150 x $300 | $45,000 | 100 x $300 | $30,000 | 50 x $300 | $15,000 |
| Marketing for Employee Engagement | 50 x $300 | $15,000 | 100 x $310 | $31,000 | 100 x $310 | $31,000 |
| HIPAA | 150 x $266.67 | $40,000 | 40 x $250 | $10,000 | 25 x $300 | $7,500 |
| Other General Health Benefits Consulting | 100 x $270 | $27,000 | 100 x $270 | $27,000 | 100 x $270 | $27,000 |
| Annual Total | | $185,000 | | $169,500 | | $140,500 |
| | | Year One 2012 | | Year Two 2013 | | Year Three 2014 |

Contractor's Initials [illegible]
Date 11/9/[illegible]

**C. Price Limitation.** In no event shall the total value of expenditures as described in Exhibit B exceed the Price Limitation set forth in Section 1.8 of the Form P-37. As applicable, any Change Order(s) may be subject to Section 18, Amendment, of the Form P-37.

**2. Invoicing.** The Contractor shall submit monthly invoices to the State, in arrears, for actual services provided. Monthly invoices shall be provided on or before the 20th of the next month after the provision of services. In addition, the Contractor shall provide an estimated invoice for the months of November and December on or before October 31st of each year. The Contractor shall include on the monthly invoice a statement of services with appropriate detail, identifying the specific project, assigned staff, and hourly rates.

The invoices shall be sent to:

The State of New Hampshire
Department of Administrative Services
Attn: Administrator, Risk Management Unit
25 Capitol Street, Room 412
Concord, NH 03301

**3. Payment.** Payment shall not commence prior to January, 2012. The State shall make payment to the Contractor electronically or by check mailed to the address in Section 1.4 of the P-37. Payment terms are net thirty (30) days subject to approval of the submitted invoice.

Contractor's Initials
Date 4/9/

## Exhibit C - Special Provisions

The following will replace the corresponding provisions in the P-37, General Terms and Conditions:

1. Delete Section 4. Conditional Nature of Agreement in its entirety and replace it with the following:

   4. **Conditional Nature of Agreement.** Notwithstanding any provision of this agreement to the contrary, all obligations of the State hereunder, including without limitation, the continuance of payments hereunder, are contingent upon the availability and continued appropriate of funds, and in no event shall the State be liable for any payments hereunder in excess of such available appropriated funds. In the event of a reduction or limitation of appropriated funds, the State shall notify the Contractor in writing and have the right to withhold payments until such funds become available if ever, and the State and the Contractor shall have the right to terminate the agreement immediately upon giving notice of such termination. The State shall not be required to transfer funds from any other account identified in block 1.6 in the event funds in the account are reduced or unavailable.

2. Replace Section 5.2 with the following:

   5.2 The payment by the State of the contract price shall be the only, and the complete reimbursement to the Contractor for all expenses, of whatever nature incurred by the Contractor in the performance hereof, and shall be the only and the complete compensation to the Contractor for the Services. The State shall have no liability to the Contractor other that the contract price, unless otherwise agreed to by the parties in a written instrument approved by either the Commissioner of Department of Administrative Services or the Governor & Executive Council. This provision shall not restrict any available legal or equitable remedies available to the Contractor in the event of default by the State.

3. Delete Section 8, Event of Default/Remedies in its entirety and replace it with the following:

   8. **Event of Default/Remedies:**
   8.1 Any one or more of the following acts or omissions of by a Party shall constitute an event of default hereunder ("Event of Default"):
   8.1.1 material failure by Contractor to perform Services satisfactorily or on schedule;
   8.1.2 failure by Contractor to submit any material report required hereunder;
   8.1.3 failure by either party to perform any other material covenant, term or condition of this Agreement;
   8.1.4 failure by the State to pay any amount due hereunder by the applicable due date.
   8.2 Upon the occurrence of any Event of Default, the non-defaulting Party may take any one, or more, or all, of the following actions in addition to Section 8.6 below and subject to Section 8.5 below:
   8.2.1 give the other Party written notice specifying the Event of Default and requiring it to be remedied within, in the absence of a greater or lesser specification of time, thirty (30) days from the date of the notice; and if the Event of Default is not timely remedied, terminate this Agreement, effective two (2) days after giving the defaulting Party notice of termination;
   8.2.2 give the other Party written notice specifying the Event of Default and suspending all payments or services, as applicable, to be made under this Agreement;
   8.2.3 set off against any other obligations, if any, the non-defaulting Party may owe to the defaulting Party any damages the non-defaulting Party suffers by reason of any Event of Default; and/or

Contractor's Initials GCS
Date 11/21/2011

8.2.4 treat the Agreement as breached and pursue any of its remedies at law or in equity, or both.

8.3 If in the judgment of the State the Contractor's default is not substantial to require termination at that time, and the Contractor is not curing the default, and the default is capable of being cured by another resource without unduly interfering with Contractor's continued performance, the State may at its discretion provide or procure services reasonably necessary to cure the default, and Contractor shall reimburse the State for the reasonable cost of such services, Contractor must cooperate with the State and resources in any such efforts to cure the default.

8.4 No remedy conferred under the Agreement is intended to be exclusive of any other remedy, and each remedy is cumulative and in addition to every other remedy in the Contract. The State's election of any or more remedies shall not constitute a waiver of its right to pursue other available remedies.

8.5 The Contractor's and the State's monetary liability to each other shall not exceed two (2) times the total contract price, and shall not include consequential, incidental, special or indirect damages incurred directly by the State and the Contractor. This limitation shall not include the Contractor's indemnification obligations under Section 13 hereunder and the following:

(a) death, bodily injury or damage to real or personal property;

(b) misappropriation or infringement of any intellectual property including but not limited to any patent or copyright or any unauthorized use of any trade secret;

(c) losses accruing to the other Party's third party vendors, subcontractors, materials, laborers or another person, firm or corporation furnishing or supplying work, services, materials or supplies in connection with the performance of the Agreement;

(d) personal injury;

(e) disclosure of confidential information; and

(f) failure to meet any applicable statures, regulations codes, or guidelines.

8.6 Notwithstanding the foregoing, nothing herein contained shall be deemed to constitute a waiver of the sovereign immunity of the State, which immunity is hereby reserved to the State. This covenant shall survive the termination of the Agreement.

4. Replace Section 9.2 with the following:

9.2 On or after the Effective Date and subject to any limitations and restrictions contained herein, all reports provided to the State by the Contractor and any property which has been received from the State or purchased with funds provided for that purpose under this Agreement, shall be the property of the State and shall be returned to the State upon demand or upon termination of this Agreement. The Contractor shall have the right to retain one copy of each report for archival purposes evidencing Contractor's services rendered on behalf of the State, as may be required by law, regulation, professional standards or as per Contractor's reasonable and customary business practices. Notwithstanding the foregoing, any property constituting confidential or proprietary information, or a trade secret of the Contractor shall remain the property of the Contractor.

Contractor's Initials
Date

5. Delete Section 12. Assignment/Delegation/Subcontracts in its entirety and replace it with the following:

12. **Assignment/Delegation/Subcontracts.** The Contractor shall not assign, or otherwise transfer any interest in this Agreement without the prior written consent of the N.H. Department of Administrative Services, which consent shall not be unreasonably withheld. The State shall not assign or otherwise transfer any interest in this Agreement without the prior written consent of the Contractor, which consent shall not be unreasonably withheld. None of the Services shall be subcontracted by the Contractor without the prior written consent of the State, which consent shall not be unreasonably withheld.

The assignment or transfer of any rights under this Agreement shall be effective when the assignee or transferee agrees in writing to assume all of the obligations of the assignor or transferor and to be bound by all of the provisions and conditions of this Agreement, which consent shall not be unreasonably withheld. This Agreement will inure to the benefit of and be binding upon the State and Contractor and their respective successors and permitted assigns. Any assignment in violation of this Section shall be void.

In the event the Contractor should change ownership for any reason whatsoever, the State shall have the option of continuing under the Agreement with the Contractor or its successors or assigns for the full remaining term of the Agreement; continuing under the Agreement with the Contractor or its successors for such period of time as determined necessary by the State; or immediately terminating the Agreement.

6. Delete Section 13. Indemnification in its entirety and replace it with the following:

13. **Indemnification.** The Contractor shall defend, indemnify and hold harmless the State, its officers and employees, from and against any and all losses suffered by the State, its officers and employees, and any claims, liabilities or penalties asserted against the State, its officers or employees, by or on behalf of any person, on account of, based or resulting from, arising out of (or which maybe claimed to arise out of) the negligent acts or omissions of the Contractor. Not withstanding the foregoing, nothing herein contained shall be deemed to constitute a waiver of the sovereign immunity of the State, which immunity is here by reserved to the State. This covenant shall survive the termination of this Agreement.

7. Replace Section 14.1.1 with the following:

14.1.1 Comprehensive general liability insurance against all claims of bodily injury, death or monetary damage, in amounts of not less than $250,000 per claim and $1,000,000 per incident and no less than $1,000,000 in excess/umbrella liability each occurrence.

Contractor's Initials [illegible]
Date 11/1/11

8. Amend the P37 by including the following:

The Contractor shall, at its own expense, obtain and maintain in force, the following insurance: Errors and Omissions liability insurance/professional liability coverage with limits in the amount of $2 (two) million per claim and $2 (two) million in the aggregate.

9. There are no other special provisions.

Contractor's Initials
Date 11/1/1