State of Connecticut Healthcare RFP
Part 2
MEHIP and Mega MEHIP
November 9, 2007

I. Introduction

The State through the authority set forth by MEHIP legislation, is soliciting quotes for medical and prescription drug benefits. It is the State's desire to create a purchasing coalition for local municipalities, boards of education, and unions for the purpose of offering an affordable healthcare option to Connecticut's municipal membership. We request that you provide self-insured ASO factors to implement the requested plans for an effective date of July 1, 2008. While the goal is to self-insure, with state-wide "pooled" rates, fully insured proposals for the three plan designs also will be considered in later stages of this process.

The MEHIP program has historically included multiple carriers on a "sliced" basis. Mega-MEHIP Proposals should quote on a "sliced" basis, along with the option to quote on a "sole carrier" approach. Much has been accomplished based on the RFQ issued earlier this year, and this is the next step in the process. All respondents are encouraged to participate fully, in order to be included in the process and to have an opportunity to assist in creating a timely and successful plan of implementation..

II. Overview

State, municipalities, and union leadership have expressed concern about deteriorating benefits and rising health insurance costs. For more than a year, leadership groups have discussed alternatives to combat these rising costs.

III. Eligibility

The Mega MEHIP would be created to include any and all municipalities and boards of education that wish to join. Union leadership has committed to negotiating the requested plan designs. The State requires that interested parties enter as one group. A group will be defined as the Board of Education, the Town, or the Board of Education and Town together. The requirement to enter as a group will assist in appropriately spreading the insurance risk. Current municipal MEHIP groups will have the option of enrolling in the Mega-MEHIP. Due to the restrictions of Public Act 06-123 current retirees will not be included under this proposed plan design. However, you should assume that all future retirees will retire into the proposed plan designs.

IV. Participating Groups

Traditional MEHIP groups include both municipalities and non-profit organizations with contracts with public entities, including State, Federal, and local agencies. To date, all of these groups have been fully insured and have been separately priced. For this proposal, all of the non-municipal traditional MEHIP groups will be priced as one group. Currently, the non-municipal groups represent approximately 12,000 covered lives.

All of the current and additional municipal groups will be priced as one group on a self-funded basis. Parts of nearly half the municipalities in the State have expressed interest. The size of the groups range from 25 covered employees to in excess of 5,000 covered employees. The interested municipalities provide benefits for approximately 64,000 employees and have projected health benefits budgets in excess of $500 million annually. In the annual aggregate, all municipal health benefit spending for medical and pharmaceuticals is estimated to be significantly more.

V. MEHIP and Mega MEHIP Benefit Structure

1. The State requests that you provide quotes for this plan of benefits on a self-insured basis. It is believed that by offering a benefits option on a self-insured basis, the benefits of a Mega MEHIP plan will better align with the current financial structure of the larger municipalities. However, because smaller municipalities and non-profits may benefit more from a fully insured pool, the State will follow up in subsequent stages of this process requesting that carriers also quote fully-insured rates.

2. The Mega MEHIP will not duplicate current plan designs. Mega MEHIP will include the three plan designs illustrated in SECTION I, "Requested Plan Designs". Groups will have to commit to the illustrated plan designs without any change. By limiting plan designs state-wide, additional administrative cost savings will be realized and these additional cost savings will be passed on to the municipalities. Employer/Employee cost sharing, previously a function of former plans' deductible/coinsurance or copay structures, will be determined by collective bargaining based on mutually agreeable premium equivalent (or premium in fully-insured situations) splits.

3. The non-profit (non-municipal) segment of the traditional MEHIP will continue to have its array of standard MEHIP plan designs, as illustrated in SECTION II, "Non-Profit Plan Designs."

4. It is anticipated that to foster continuous competition and maximize employer and employee choice, the State will select multiple carriers. However, the State is allowing carriers the option of also quoting on a sole carrier basis.

VI. Effective date

For purposes of this request the proposed effective date is July 1, 2008.

VII. Rating

The State's goal is to provide a set of statewide consolidated or pooled rates for both the municipal and non-profit benefit plans. The final billable rates to the municipalities and non-profits may be revised slightly to prevent selection against the new program. The State will be setting the final rates after reviewing a wide variety of claims data. Your assistance in providing the following confidential data is requested:

1. To facilitate the data gathering for municipalities, the State may seek authorization, from interested municipalities and non-profits and/or their authorized labor representatives, for the carriers to send claims and/or census data (depending upon group size) directly to the State. Your full cooperation is expected.

2. In creating the statewide PEPM and PMPM claim adjustment factors, provide the conversion factors associated with converting the PPO benefits to corresponding numbers for the HMO/EPO, the Comprehensive PPO plans and the non-profit (non-municipal) plans outlined in SECTION II. The attached Quote Completion Form contains spaces for this purpose for the three Mega-MEHIP benefit plan designs. For the more numerous non-profit benefit factors, please expand upon this format by creating your own exhibit for the rating adjustment factors relating to the standard non-profit MEHIP PPO, POS, POE and Rx plans. For these, again assign a relative value of 1.00 to the Mega-MEHIP PPO benefit plan design, this time split by medical and Rx, and array each non-profit standard plans' relative values. If your product line includes POS but not PPO plans, note accordingly.

3. Prior to the initial effective date the State will solicit additional interested municipalities for inclusion in Mega MEHIP. The State will create a fully insured equivalent rate which will incorporate the proposed administrative fees and stop-loss premiums from this request for quotes. The State of Connecticut will not subsidize the MEHIP or Mega MEHIP plan. Each municipality will also establish a contract with the State for the financial component of the arrangement.

4. Your proposed fee structure should assume the following:

    a. Pertaining to the multiple provider fee quotations, you should assume that the current MEHIP administrator will perform the current billing and eligibility functions
    b. Pertaining to the sole provider fee quotations, you should assume that billing and eligibility will be handled by you, the administrator.

VIII. Stop-loss

In order to protect the financial risk of each group entering the Mega MEHIP plan, stop-loss insurance will be offered. The State requests that you provide quotes for an aggregate stop-loss protection of 120%. Quotes for individual stop loss should be provided at the $200,000 specific attachment point.

IX. Employer group structure

You should be able to provide claims experience reporting specific to each group regardless of size. Each group will require a structure to allow for the separate identification of eligibility, claims experience, and billing for each of the management/union entities within the group. We expect that each carrier will submit a monthly data feed to the State health benefit consultant, currently Milliman, similar to the data feed provided for the State plan. Each municipal unit will be identified as a "department". The State will give you a list of codes to use.

X. Commissions

The State requests that your administration fees and stop-loss premiums are set forth net of commissions. If a member group has a current relationship with a broker, or wishes to create a relationship with a broker, the commission arrangement will be in addition to the quoted fees and premiums. The State is not limiting involvement of brokers, and recognizes that agreements between brokers and clients may vary from one relationship to another. This request recognizes that many groups have relationships with consultants; the net of commission pricing strategy does not disadvantage any current relationships or financial arrangements.

XI. Governance

The plan of benefits will be created under the rules of the MEHIP plan legislation. The State, municipal management**,** and union leadership will create a committee to oversee the administration of the plan. This committee will consist of management and union representatives. There will be representation from local and State levels in order to oversee the administration of the plan. The Mega MEHIP committee will meet monthly.

XII. Participation Rules

The final rules for participation will be determined by the Municipal Healthcare Cost Containment Committee in consultation with the carrier or carriers awarded the contract. For underwriting purposes, each carrier should assume that adequate rules for protecting

that plan will be adopted concerning the following questions: how long a municipal group must remain in the plan, what happens if a group leaves the plan, and under what conditions they would be permitted to return to the MEHIP plan. These rules will apply to both the traditional MEHIIP and the new Mega MEHIP plans. The State requires that your proposal provide initial fee guarantees for a three year period.

XIII. Data Provided

To assist you with the preparation of your proposal, we have provided the follow material:

- Section I – Municipal Plan Designs
- Section II – Non-Profit Plan designs
- Section III -- Carrier Demographic, Premium and expense reports for current MEHIP municipalities and non-profits..
- Section IV -- Quote Completion Form

To date, municipal groups representing 64,000 covered lives (or employees) have expressed interest in this initiative. We expect interest to grow.

For purposes of this quote, you should also give the State ASO and stop loss quotes for 50,000, 75,000, and 100,000 covered employees.

You should consider all information received in conjunction with this request for proposal to be confidential. Any breach of confidentiality may result in disqualification from the selection process.

XIV. Proposal Objectives & Criteria

The State's objective for this request for proposal is to offer a standardized plan of benefits in the most cost-effective manner, and in a way that will provide high quality service to the Mega MEHIP membership through a broad network of providers. Each medical and prescription drug plan option should be rated and presented independently. The State reserves the right to select a single vendor to handle all coverage or to select separate vendors for its medical and pharmacy coverage. The State is requesting binding self-insured quotes for administrative service components and stop loss.

We have provided benefit summaries of the requested plan designs in Section I. Your proposal must list and identify any benefit differentials in comparison to the provided benefit summaries. Any benefit differences that are not highlighted will not be accepted upon completion of the contract.

Your proposal should also include the following:

- Full COBRA administration if bidding as a sole carrier. The MEHIP administrator will provide COBRA administration as it does currently, if a multiple carrier model is employed.
- HIPAA Portability administration, including the issuance of HIPAA certificates of creditable coverage.
- Performance guarantees for claims performance, call center performance, and customer service from all carriers.
- Guarantee from all carriers to the State of Connecticut for the right to audit claims processing and performance at any time during the contract. The auditor will be a third party auditor, chosen by the State.

If COBRA and HIPAA services are not included in your proposed fees, please clearly specify the additional charges associated with these services.

XV. Submission of Quotes

Date Due: December 21, 2007
Time: 2:00 PM E.S.T.

XVI. Questions:

Questions should be sent via e-mail to Michael Westover (michael.westover@milliman.com) All questions must be submitted via email no later than November 19, 2007, 2:00 PM E.S.T. Answers to submitted questions will be published to all bidders.

Quotes must be submitted to:

Thomas C. Woodruff, Ph.D., Director
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Retirement & Benefit Services Division
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