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Memorandum

TO: North Dakota Legislative Management
North Dakota House and Senate Appropriations Committees

FROM: Scott Miller, Executive Director

DATE: December 9, 2020

SUBJECT: NDPERS Group Health Plan Request for Proposals

Section 4 of Senate Bill 2023, which was passed in the 2019 Legislative Session and contained the NDPERS budget, required the NDPERS Board to issue a Request for Proposals (RFP) for the health plan for the 2021-2023 biennium. Section 4 of Senate Bill 2023 also required the Board to

report to the majority and minority leaders of the House and Senate and the chairmen of the appropriations committees, or their designees, when bids are received during the biennium beginning July 1, 2019, and ending June 30, 2021. The report must provide comparative information and the board's evaluation of the bids received, including information on the self-insurance option.

On September 14, 2020, I emailed you an update on the RFP process. This memo is intended to provide the final required report and supporting information to you. Please let me know if you would like any additional information.

NDPERS staff began this RFP process in January of 2020. We began by working with Deloitte on a complete review and update of the existing RFP, which we have historically reviewed and updated every two years in the event the Board did not renew with the then-current carrier.

We brought a proposed RFP timeline to the Board at its February 11, 2020 meeting. The Board ultimately approved the following timeline, which was included in the RFP:

Activity	Date/Time
NDPERS publishes Request for Proposal (RFP)*	June 1, 2020
Bidder Conference**	June 16, 2020 (9am – 11am CST)
Bidder questions (in writing) due	June 18, 2020 (5pm CST)
Proposals due	Wednesday, July 15, 2020 (5 pm CST)
Finalist presentations (if requested)	September 2020
NDPERS notifies finalist of intent to negotiate	November 2020
Bidder and NDPERS begin implementation	January 2021
Bidder begins providing services	July 1, 2021

At the March 10th Board meeting, the Board considered the services that should be included in the RFP. The Board approved including the following services:

1. Fully-insured medical and pharmacy proposal
2. Self-insured medical and pharmacy proposal
3. Fully-insured medical proposal only
4. Self-insured medical proposal only
5. Fully-insured pharmacy proposal only
6. Self-insured pharmacy proposal only
7. Stop loss insurance for all self-insured options

The RFP was released on June 1, 2020. In the RFP, the Board advised potential vendors that the Board would use the following criteria in evaluating the proposals to determine which bid, if any, was most beneficial for our participants and the State of North Dakota:

1. The economy to be affected.
2. The ease of administration.
3. The adequacy of the coverages.
4. The financial position and experience of the carrier, with special emphasis as to its solvency.
5. The reputation of the carrier and any other information that is available to show past experience with the carrier in matters of claim settlement, underwriting, and services.
6. Multi-year guaranteed premium/fees.
7. The value proposition of different insurance arrangements including self-insurance to determine if it is in the best interest of the State and the State's eligible employees.

The first five of those criteria reflect the complete list of criteria from NDCC section 54-52.1-04(1). The last two were criteria used in previous RFP efforts, and relate to items within the first five criteria.

The Board also considered several sub-criteria to more finely hone the evaluation of the proposals submitted. Each of those sub-criteria, along with the last two criteria provided in the list above, were added as part of the evaluation of the statutory criteria provided in NDCC section 54-52.1-04(1). The Board carefully considered its statutory responsibilities

and the information it would need in order to make a decision regarding which proposal, if any, was most beneficial to our participants and the State of North Dakota. The Board approved the following evaluation matrix for making that determination:

NDPERS Medical & Prescription Drug RFP
Evaluation Template

In determining which bid, if any, will best serve the interests of eligible employees and the state, the board shall give adequate consideration to the following factors:

Evaluation Criteria		
A The economy to be effected.		
a1.	Overall Pricing – this includes all costs of the insurance product, including administrative fees, reinsurance or stop-loss insurance, and any federal fees. The additional personnel/office costs of administering a self-insured plan would fall within this sub-criterial. Premium costs, including any additional amount that would be necessary to add to a self-insurance premium to establish adequate reserves, are also included.	
a2.	Multi-year guaranteed premium/fees.	
a3.	The value proposition of different insurance arrangements including self-insurance to determine if it is in the best interest of the State and the State’s eligible employees.	
a4.	The effect on North Dakota – would choosing one of the bids add to or detract from North Dakota’s economy and job base?	
B The ease of administration.		
b1.	Infrastructure – does the provider have the necessary office space, technology and claims payment system, and personnel system to most beneficially serve our needs?	
b2.	Staffing – does the provider have adequate personnel to most beneficially serve our needs? How does the bid affect ongoing staffing within NDPERS?	
b3.	Transition – what would a transition from one carrier to another require of NDPERS? PERS call center, Member communication materials, PERS staff time, informational meeting with both members and employers	
b4.	Goals and objectives – does the bidder have the same objectives as NDPERS and the State of North Dakota?	
C The adequacy of the coverages.		
c1.	Plan benefits comparison – do the proposed benefits match our current menu of benefits?	
c2.	Proposal deviations from our standard contract	
c3.	Disruption analysis – would a transition overly disrupt our members by affecting their choice of physician or pharmacist?	
D The financial position of the carrier, with special emphasis on the solvency of the carrier		
d1.	Ratings agency ratings	
d2.	Financial stability	
E The reputation of the carrier and any other information available tending to show past experience with the carrier in matters of claim settlement, underwriting, and services.		
e1.	References	
e2.	Information from the Insurance Department	
e3.	Member satisfaction information	
e4.	Performance standards proposed	
		TOTAL SCORE

NDPERS staff and Deloitte held a virtual bidders conference on June 16, 2020. There were many potential vendors who called in, but very few questions were asked. We received formal questions from 8 potential vendors by the June 18th deadline, and staff responded with written answers to those questions soon afterwards.

Proposals were due July 15, 2020. We received fourteen different proposals from five different vendors, as shown in the table below:

Required Proposal Content:	Proposed Services:						
	1. Fully Insured Medical & Rx	2. Self-insured Medical & Rx	3. Fully-Insured Medical Only	4. Self-insured Medical Only	5. Fully-Insured Rx Only	6. Self-Insured Rx Only	7. Stop Loss
BCBSND	x	X		x			x
Sanford Health Plan	x	X	x	x	x	x (OptumRx)	x
Express Scripts						x	
MedImpact						x	
WellDyne						x	

Staff and Deloitte immediately began reviewing the proposals to determine whether each of them met the minimum requirements. We eventually determined that all of the proposals did meet the minimum requirements. Those minimum requirements included compliance with the transparency requirements enacted by House Bill 1374 by the 2019 Legislative Assembly.

Prior to receiving any of the cost proposal information, staff began reviewing the technical proposal information. Throughout the process we had many questions regarding proposals for each of the vendors. We forwarded those questions to Deloitte for them to address with the vendors. Over the course of the RFP process, staff believes it received all of the necessary clarification from the vendors to be confident in our analysis of the various proposals.

During this time, Deloitte performed a disruption analysis to determine whether our participants would be affected by a change from SHP to a different provider. Deloitte’s analysis showed very little disruption if we were to move to BCBSND or ExpressScripts, Inc. (ESI). However, Deloitte’s analysis did show that choosing either MedImpact or WellDyne would result in significant disruption for our participants. If the Board chose MedImpact, 2.8% of the prescriptions filled would become out-of-network, increasing the costs to our participants, and making it more difficult for them to fill their prescriptions. Similarly, if the Board chose WellDyne, 9.7% of the prescriptions filled would become out-of-network.

Staff and Deloitte then completed the evaluation matrix for the technical aspects of the various proposals, other than for references and contract deviations. Only after that was completed did staff receive any information regarding the cost proposals.

Staff and Deloitte presented the technical and financial analyses of the various proposals to the Board, including the evaluation matrix (attached), at its September 8, 2020 meeting. The Board directed staff and Deloitte to invite BCBSND, SHP, and ESI to vendor interviews on September 30th. The Board further directed Deloitte to invite those three vendors to submit best and final offers (BAFOs) prior to the interviews.

The Board did not invite MedImpact or WellDyne to interview with the Board for two primary reasons. First, the Board did not believe the disruption that transitioning to those vendors would cause to our participants would be in the best interests of those participants or the State. Second, the proposals submitted by MedImpact and WellDyne were the highest cost proposals for pass-through, open formulary prescription drug plans. (Statutory transparency requirements essentially mandate that NDPERS utilize pass-through, rather than spread, PBM arrangements. Further, exclusionary formularies would have subjected our participants to additional disruption.)

The Board held interviews with the three vendors on September 30th. After the interviews, Deloitte presented the Board with the results of the BAFOs received from each of the vendors. The below table shows Deloitte's final financial results after the BAFOs.

(Millions)	Current Rates	Biennium (7/2021 - 6/2023)					
Medical Insurer	SHP	SHP	BCBS	SHP	BCBS	SHP	BCBS
Prescription Drug Administrator	SHP	SHP	BCBS	SHP	BCBS	ESI	ESI
Medical Funding Arrangement	Insured	Insured	Insured	Self-Insured	Self-Insured	Insured	Self-Insured
Prescription Drug Funding Arrangement	Insured	Insured	Insured	Self-Insured	Self-Insured	Self-Insured	Self-Insured
Medical & Prescription Drug²	\$686.8	\$689.2	\$730.6	\$779.4	\$784.1	\$721.0	\$786.5
<i>Change vs. SHP Current (\$)</i>		<i>\$2.4</i>	<i>\$43.8</i>	<i>\$92.6</i>	<i>\$97.3</i>	<i>\$34.2</i>	<i>\$99.7</i>
<i>Change vs. SHP Current (%)</i>		<i>0.4%</i>	<i>6.4%</i>	<i>13.5%</i>	<i>14.2%</i>	<i>5.0%</i>	<i>14.5%</i>

The major difference between the insured and the self-insured amounts is the difference in the trend proposed by SHP and BCBS for the fully-insured plans and the trend Deloitte has calculated for our population based on the claims experience we have, which makes up the bulk of the cost of the self-insured plans. Both SHP and BCBS projected lower trend than did Deloitte, which in part results in their insured proposals being lower than the self-insured options. We do not know why they projected lower claims; Deloitte's projections were based on all of the claims information available, and that claims information was provided to the vendors.

The other major differences between the insured and the self-insured premiums are the necessary addition of \$12.4 million per biennium for a reserve contribution and \$800,000 per biennium for additional staffing. NDCC section 54-52.1-04.3 requires the Board to establish a claims reserve fund, the minimum amount of which is to be set by the Insurance Commissioner. The Insurance Commissioner's office has advised us that the minimum reserve amount will be a range of between two and four months' of claims. The Board is required to have a plan to create a reserve fund with that amount within 60 months of transitioning over to a self-insured plan. The \$12.4 million per biennium reserve contribution is necessary to get the reserve fund to the bare minimum requirement of two months' of claims, which is just over \$52 million, over a period of 60 months.

The \$800,000 per biennium for additional staffing is the bare minimum we anticipate we would need for additional personnel to implement and administer a new self-insurance plan of our size. That is for two additional mid- to higher-level staff who have experience in self-administered health plans.

SHP included a \$12 million “retention credit” in its BAFO, which it increased from the \$9 million credit in its initial financial proposal. SHP conditioned that credit on the Board awarding a bundled, fully-insured contract to SHP for both the active population and the Medicare retiree population. During the vendor interview, SHP agreed that the retention credit would function much like the buy-down the Board has used in the past to reduce premiums for our members and employers. The last time the Board used a buy-down was for the 2017-2019 biennium. As happened for the renewal for the current biennium (after the last buy-down), the renewal next biennium will appear larger than it would normally be because the premiums will be going up an additional 1.9% to make up for the elimination of the retention credit.

The Board held a special session on October 15, 2020. At that meeting it received the report Deloitte provided to the Legislative Employee Benefits Programs Committee entitled, “State of North Dakota House Bill No. 1374, Section 3: Public Employees Retirement System Prescription Drug Coverage Study”. In that study, Deloitte examined the benefits and detriments of “carving out” the prescription drug coverage from the medical coverage; that is, using a different vendor for pharmacy than for medical coverage.

The Board then considered the various proposals submitted. It received Deloitte’s report on its reference checks, which did not reveal any concerning information on any of the three finalists. The Board further considered the proposals and adjourned until another special meeting on October 19, 2020.

At its October 19, 2020 special meeting, the Board further discussed the proposals and the relevant information regarding the proposals. The Board reached consensus that awarding the contract to the Sanford Health Plan was in the best interests of its participants and the State of North Dakota. In open session, the Board passed a motion to award a contract to Sanford Health Plan for a bundled, fully-insured medical and pharmacy health plan for both its active and Medicare-retiree participants. The Board based that decision primarily on the cost savings to the State, our participating political subdivisions, and our Medicare retirees of over \$32 million, and the fact that continuing to use SHP would result in no disruption to our participants and their dependents.

It is important to keep in mind that our “fully-insured” health insurance is actually a “modified fully-insured” health plan. We do not have any of the risk under this plan – SHP has all of the risk. However, we share in any gains we realize – we receive 50% of the first \$3 million of gains, and all of the gains over \$3 million. That was a significant factor in the Board’s decision, especially given the significantly higher projected cost of a self-insured plan.

NDPERS Medical & Prescription Drug RFP
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Evaluation Criteria		RFP Response Evaluation						
		Sanford	Sanford	BCBS	BCBS	Sanford	Sanford	BCBS
		Fully Insured Bundled Medical	Fully Insured Carve out	Fully Insured Bundled Medical	Self Insured Carve Out	Self Insured Carve Out	Self Insured Bundled Medical	Self Insured Medical
A The economy to be effected.								
a1.	Overall Pricing – this includes all costs of the insurance product, including administrative fees, reinsurance or stop-loss insurance, and any federal fees. The additional personnel/office costs of administering a self-insured plan would fall within this sub-criterial. Premium costs, including any additional amount that would be necessary to add to a self-insurance premium to establish adequate reserves, are also included.	4	4	3	2	3	3	2
a2.	Multi-year guaranteed premium/fees.	3	3	3	3	3	3	3
a3.	The value proposition of different insurance arrangements including self-insurance to determine if it is in the best interest of the State and the State's eligible employees.	4	3	3	2	2	2	2
a4.	The effect on North Dakota – would choosing one of the bids add to or detract from North Dakota's economy and job base?	3	3	3	3	3	3	3
B The ease of administration.								
b1.	Infrastructure – does the provider have the necessary office space, technology and claims payment system, and personnel system to most beneficially serve our needs?	3	3	3	3	3	3	3
b2.	Staffing – does the provider have adequate personnel to most beneficially serve our needs? How does the bid affect ongoing staffing within NDPERS?	4	3	4	2	2	2	2
b3.	Transition – what would a transition from one carrier to another require of NDPERS? PERS call center, Member communication materials, PERS staff time, informational meeting with both members and employers	4	3	3	2	2	2	2
b4.	Goals and objectives – does the bidder have the same objectives as NDPERS and the State of North Dakota?	3	3	3	3	3	3	3
C The adequacy of the coverages.								
c1.	Plan benefits comparison – do the proposed benefits match our current menu of benefits?	3	3	3	3	3	3	3
c2.	Proposal deviations from our standard contract							
c3.	Disruption analysis – would a transition overly disrupt our members by affecting their choice of physician or pharmacist?	3	3	3	3	3	3	3

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Evaluation Criteria			RFP Response Evaluation						
			Sanford	Sanford	BCBS	BCBS	Sanford	Sanford	BCBS
D The financial position of the carrier, with special emphasis on the solvency of the carrier.									
d1.	Ratings agency ratings		3	3	3	3	3	3	3
d2.	Financial stability		3	3	3	3	3	3	3
E The reputation of the carrier and any other information available tending to show past experience with the carrier in matters of claim settlement, underwriting, and services.									
e1.	References								
e2.	Information from the Insurance Department		3	3	3	3	3	3	3
e3.	Member satisfaction information		3	3	3	3	3	3	3
e4.	Performance standards proposed		3	3	3	3	3	3	3

Additional Comments:

NDPERS Medical & Prescription Drug RFP

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In determining which bid, if any, will best serve the interests of eligible employees and the state, the board shall give adequate consideration to the following factors:

Evaluation Criteria		RFP Response Evaluation				
		Sanford	Sanford	ESI	WellDyne	MedImpact
		Prescription Drug - Fully	Prescription Drug - Self	Prescription Drug - Self	Prescription Drug - Self	Prescription Drug - Self
A The economy to be effected.						
a1.	Overall Pricing – this includes all costs of the insurance product, including administrative fees, reinsurance or stop-loss insurance, and any federal fees. The additional personnel/office costs of administering a self-insured plan would fall within this sub-criterial. Premium costs, including any additional amount that would be necessary to add to a self-insurance premium to establish adequate reserves, are also included.	3	3	4	1	2
a2.	Multi-year guaranteed premium/fees.	3	3	3	3	3
a3.	The value proposition of different insurance arrangements including self-insurance to determine if it is in the best interest of the State and the State's eligible employees.	4	2	2	2	2
a4.	The effect on North Dakota – would choosing one of the bids add to or detract from North Dakota's economy and job base?	3	3	2	2	2
B The ease of administration.						
b1.	Infrastructure – does the provider have the necessary office space, technology and claims payment system, and personnel system to most beneficially serve our needs?	3	3	3	3	3
b2.	Staffing – does the provider have adequate personnel to most beneficially serve our needs? How does the bid affect ongoing staffing within NDPERS?	4	3	2	2	2
b3.	Transition – what would a transition from one carrier to another require of NDPERS? PERS call center, Member communication materials, PERS staff time, informational meeting with both members and employers	4	3	2	2	2
b4.	Goals and objectives – does the bidder have the same objectives as NDPERS and the State of North Dakota?	3	3	2	2	2
C The adequacy of the coverages.						
c1.	Plan benefits comparison – do the proposed benefits match our current menu of benefits?	3	3	2	2	2
c2.	Proposal deviations from our standard contract					
c3.	Disruption analysis – would a transition overly disrupt our members by affecting their choice of physician or pharmacist?	3	3	3	1	2

NDPERS Medical & Prescription Drug RFP

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In determining which bid, if any, will best serve the interests of eligible employees and the state, the board shall give adequate consideration to the following factors:

Evaluation Criteria		RFP Response Evaluation				
		Sanford	Sanford	ESI	WellDyne	MedImpact
D The financial position of the carrier, with special emphasis on the solvency of the carrier.						
d1.	Ratings agency ratings	3	3	3	3	3
d2.	Financial stability	3	3	3	3	3
E The reputation of the carrier and any other information available tending to show past experience with the carrier in matters of claim settlement, underwriting, and services.						
e1.	References					
e2.	Information from the Insurance Department	3	3	3	3	3
e3.	Member satisfaction information	3	3	3	3	3
e4.	Performance standards proposed	3	3	3	2	2

Additional Comments: