

**DRAFT**  
For Discussion Purposes  
As of 11/17/2022



North Carolina State Health Plan

# Cost Proposal Analysis

**Medical Third-Party Administrative Services**  
**RFP# 270-20220830TPAS**

November 16, 2022

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SHP 0025014

*APPX V2.0236*

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# Cost Proposal Scoring Summary

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- The North Carolina State Health Plan conducted a Request for Proposal (RFP) to solicit bids to provide medical third-party administrative (TPA) services effective January 1, 2025.
- The following vendors submitted proposals:
  - Aetna
  - Blue Cross Blue Shield of North Carolina (BCBSNC), the incumbent TPA
  - UMR (a UnitedHealthcare Company)
- As outlined in the RFP document, cost proposals represent 50% weight of the total score and the evaluation of cost proposals total 10 points divided into the following three categories:
  - Network Pricing Scoring Criteria (6 points)
    - The highest ranked proposal (or lowest projected claims cost) received the full six (6) points allocated to this section.
    - All other proposals were ranked and received points based on the following: within 0.5% of the lowest claims cost = 6 points; within 1.0% = 5 points; within 1.5% = 4 points; within 2.0% = 3 points; within 2.5% = 2 points; within 3.0% = 1 point; and greater than 3.0% = 0 points.
  - Administrative Fees Scoring Criteria (2 points)
    - The highest ranked proposal (or lowest administrative cost) received the full two (2) points allocated to this section.
    - All other proposals were ranked and received one (1) or zero (0) points based on their administrative cost in comparison to the lowest administrative cost proposal and the other proposals.
  - Network Pricing Guarantee Scoring Criteria (2 points)
    - Proposals were evaluated and ranked based on their proposed network pricing guarantees. The value of the pricing guarantees were based on the combination of the competitiveness of the guaranteed targets and the amount placed at risk.
    - The proposal that offers the network pricing guarantees with the greatest value was ranked the highest and received the full two (2) points allocated to this section.
    - All other proposals were ranked and received one (1) or zero (0) points based on the value of their proposed pricing guarantees in comparison to the highest ranked proposal and the other proposals.

# Cost Proposal Scoring Summary

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Vendor	Network Pricing	Administrative Fees	Network Pricing Guarantees	Cost Proposal Total Score	Cost Proposal Rank
Allocated Points	6	2	2	10	
Aetna	3	1	1	5	2
BCBSNC	6	2	0	8	3
UMR	0	0	2	2	1

## Cost Proposal Rank

- The proposals were ranked in descending order based on the total cost proposal points earned. The Vendor earning the most cost proposal points received the highest rank of three (3) and the Vendor earning the least cost proposal points received the rank of one (1). If two proposals earned the same score in the cost proposals, they will be given equal rank.

## Analysis Notes

- **We recommend further clarifications with vendors to confirm the claims repricing responses used in the Network Pricing scoring.**
- Please see notes included at the bottom of the exhibits for each scoring section.

*The projections in this report are estimates of future costs and are based on information available to Segal at the time the projections were made. Segal has not audited the information provided. Projections are not a guarantee of future results. Actual experience may differ due to, but not limited to, such variables as changes in the regulatory environment, local market pressure, health trend rates and claims volatility. The accuracy and reliability of health projections decrease as the projection period increases.*

*This bid analysis report is the sole use of the SHPNC and its authorized representatives involved in the competitive bid. Some material provided by the bidders may be deemed proprietary and confidential to the bidder and may not be disclosed or shared with any third parties other than the authorized representatives of the SHPNC, unless required by public disclosure laws or other legal requirements.*

# Network Pricing Scoring

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Non-Medicare Network Discounts <sup>1</sup>	Charge Amount	Allowed Amount	Estimated Discounts				Assumed Network Relative Value
			Base %	Adjustments	Improvements	Adjusted %	
Baseline - CY 2021 <sup>2</sup>			51.8%	N/A	N/A	51.8%	1.0000
Aetna	REDACTED	REDACTED	REDACTED	REDACTED	REDACTED	REDACTED	REDACTED
BCBSNC	\$5,841,369,152	\$2,686,255,626	54.0%	0.0%	0.0%	54.0%	0.9536
UMR <sup>3,4</sup>	REDACTED	REDACTED	REDACTED	REDACTED	REDACTED	REDACTED	REDACTED
Non-Medicare Overall Relative Values	Assumed Network Relative Value	Assumed Network Utilization	Estimated Total Relative Value				
Baseline - CY 2021 Claims Data	1.0000	99.0%	1.0000				
Aetna	0.9738	99.0%	0.9734				
BCBSNC	0.9536	99.4%	0.9541				
UMR	1.0272	98.5%	1.0197				
Non-Medicare Projected Claims	CY 2025	CY 2026	CY 2027	Total (2025-2027)			
Overall Increase From CY 2021 <sup>5</sup>	1.24	1.30	1.38				
Baseline Projected Incurred <sup>6</sup>	\$2,846,864,260	\$3,003,679,581	\$3,169,272,904	\$9,019,816,745			
Aetna	\$2,771,263,616	\$2,923,914,587	\$3,085,110,454	\$8,780,288,656			
BCBSNC	\$2,716,075,796	\$2,865,686,826	\$3,023,672,588	\$8,605,435,210			
UMR	\$2,903,046,245	\$3,083,738,459	\$3,253,745,442	\$9,240,530,146			
Medicare Projected Claims <sup>7</sup>	CY 2025	CY 2026	CY 2027	Total (2025-2027)			
Overall Increase From CY 2021	1.18	1.28	1.38				
Medicare Projected Incurred	\$260,207,281	\$281,291,803	\$304,158,133	\$845,657,217			
Total Projected Claims	CY 2025	CY 2026	CY 2027	Total (2025-2027)	% From Lowest Claims Cost	Network Pricing	
Aetna	\$3,031,470,897	\$3,205,206,389	\$3,389,268,586	\$9,625,945,873	1.85%	Rank	Score
BCBSNC	\$2,976,283,077	\$3,146,978,629	\$3,327,830,721	\$9,451,092,427	0.00%	2	3
UMR	\$3,163,253,527	\$3,365,030,262	\$3,557,903,574	\$10,086,187,364	6.72%	3	6
						1	0

**Analysis Notes**

**We recommend further clarifications with vendors to confirm the claims repricing responses used in the Network Pricing scoring.**

**Network Pricing Scoring Criteria described on page 3 of this report.**

- Network discounts are based on vendor responses to the claims repricing (RFP Attachment A-3). Vendors were expected to reprice based on provider contracts in place, or near-future contract improvements bound by letters of intent, at the time of the repricing. Aetna and BCBSNC confirmed the basis of their repricing. Adjustments were made to UMR discounts as described in Note 3.
- Actual calendar year 2021 achieved discounts based on BCBS Matrix reporting.
- UMR indicated that its claims repricing included projected discounts equal to 4%. The "Adjustments" column removes these projected discounts to reflect the requested current discounts.
- UMR guaranteed pricing reflects discounts greater than its current discounts. The "Improvements" column reflects the guaranteed discounts up to the amount UMR has dollars at risk. As UMR's discount guarantee is only for CY 2025, the 0.3% "Improvements" adjustment is only reflected in that year and is removed for the CY 2026 and CY 2027 projections.
- Reflects estimated changes in enrollment and the following annual trend assumptions: 6% for 2022; 6.5% for 2023-2024; and 6.0 for 2025-2027.
- Calendar year 2021 incurred claim payments adjusted for the enrollment and trend assumptions described in Note 5.
- Medicare projected claims based on calendar year 2021 incurred claim payments adjusted for estimated changes in enrollment and the following annual trend assumptions: 6% for 2022; 6.5% for 2023-2024; and 6.0 for 2025-2027. As this is a Medicare Supplement plan, the same Medicare fee schedule applies to all vendors and claims are expected to be the same for all vendors.



# Administrative Fees Scoring<sup>1</sup>

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Assumed Enrollment	CY 2025	CY 2026	CY 2027		
Non-Medicare Subscribers	326,806	324,942	323,105		
Medicare Subscribers (non MA)	41,222	42,071	42,946		
Total Subscribers	368,028	367,013	366,051		

Base Administration Fees (PSPM) All Subscribers	CY 2025	CY 2026	CY 2027		
Aetna	\$23.25	\$23.25	\$23.25		
BCBSNC	\$14.55	\$15.28	\$16.04		
UMR	\$24.25	\$24.50	\$24.75		

Additional Services Fees (PSPM) All Subscribers	CY 2025	CY 2026	CY 2027		
Aetna	\$0.00	\$0.00	\$0.00		
BCBSNC <sup>2</sup>	\$0.00	\$0.00	\$4.75		
UMR	\$0.00	\$0.00	\$0.00		

Disease Management (PSPM) Non-Medicare Only	CY 2025	CY 2026	CY 2027		
Aetna	\$0.00	\$0.00	\$0.00		
BCBSNC	\$2.79	\$2.94	\$2.94		
UMR <sup>3</sup>	\$3.85	\$3.89	\$3.93		

Onetime Credit/(Cost)	CY 2025	CY 2026	CY 2027		
Aetna <sup>4</sup>	\$2,250,000	\$1,500,000	\$1,500,000		
BCBSNC <sup>5</sup>	\$18,000,000	\$0	\$0		
UMR <sup>6</sup>	\$10,000,000	\$1,000,000	\$1,000,000		

Total Administrative Cost	CY 2025	CY 2026	CY 2027	Total (2025-2027)	Administrative Fees	
					Rank	Score
Aetna	\$100,429,812	\$100,896,627	\$100,628,229	\$301,954,668	2	1
BCBSNC	\$57,199,154	\$78,759,457	\$102,699,585	\$238,658,196	3	2
UMR	\$112,194,585	\$122,070,115	\$122,954,779	\$357,219,479	1	0

**Analysis Notes**

**Administrative Fees Scoring Criteria described on page 3 of this report.**

1. Fees represent base admin and disease management fees, offset by any credits provided. Additional services available, either at cost or included, are summarized in supplemental exhibits.
2. BCBSNC charges a runout fee equal to 3 months' administrative fees, based on last active month's fee and membership (applies to TPA fees as well as any vendor administrative fees).
3. Health Risk Assessment is not included in UMR's standard DM fees. Inclusion requires buy-up to the UMR "Enhanced Health and Wellness Program". The additional cost needs to be clarified.
4. In addition to an implementation credit of \$750,000, Aetna is also providing an annual communications credit and wellness credit of \$750,000 each.
5. BCBSNC credit includes a \$4.5 million credit payable 30 days after implementation on the first bill, and \$13.5 million payable monthly during 2024.
6. UMR credit includes a \$9.0 million implementation credit and an annual communications credit of \$1.0 million.

# Network Pricing Guarantee Scoring

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## Discount Guarantees

	Current Discount <sup>1</sup>	Vendor Projected Discount <sup>2</sup>	CY 2025 Guarantee <sup>3</sup>	Guarantee Compared to		Description of Guarantee Payout Methodology	CY 2025 Max at Risk		CY 2026 to CY 2029 Guarantees	Evaluation of Discount Guarantee
				Current Discount	Projected Discount		Dollar Amount	Discount for Max Payout		
Aetna	████	████	████	████	████	REDACTED	████	████	Same guarantee for each year with no changes in target discounts	Offers moderate comparative value. CY 2025 and beyond offer up to 20% of admin at risk at a discount target lower than current and projected. Offers protection from discount erosion.
BCBSNC	54.0%	59.6%	52.7%	-1.3%	-6.9%	10% of the discount shortfall to a max of 5% of admin fee	\$2,853,000	52.3%	Same guarantee for each year with slight increases (<1%) in target discounts	Offers the least comparative value. CY 2025 and beyond offer limited amount at risk at 5% of admin. Discount target improves after 2025, but remains lower than current discounts until 2027 and lower than projected by the vendor.
UMR	████	████	████	4.0%	████	REDACTED	████	████	No guarantee after CY 2025	Offers the greatest comparative value. CY 2025 offers the highest value, but no guarantee beyond year 1.

## Trend Guarantees

	CY 2026 Guarantee	Description of Payout Methodology	CY 2026 Max at Risk		CY 2027 to CY 2029 Guarantees	Large Claimant Adjustments	Exclusions and Conditions	Evaluation of Discount Guarantee
			Dollar Amount	Trend for Max Payout				
Aetna	████	REDACTED	████	████	████	Claim amounts in excess of \$250,000 for any individual claimant are excluded	Pharmacy claims are excluded. Requires Aetna receives pharmacy data file feeds at a minimum bi-weekly basis to support the care management program. Aetna will adjust base year claims for factors impacting the relativity of the population such as changes in plan design, demographics, geography, included products, programs and services, third-party vendor solutions, or the impact of novel conditions.	Offers moderate comparative value. Offers the second lowest trend target and a reasonable amount at risk. Offers protection from increases in market/industry trend; however, the payouts are spread over excess trend up to 7% over the target.
BCBSNC	6.0%	10% of the excess trend dollars to a maximum of 5% of admin fee	\$2,853,000	10.0%	Same guarantee for each year with no changes in the 6% trend	All claims for individuals with claims in excess of \$250,000 are excluded	Pharmacy claims are excluded. Claims related to new services or benefits added at the discretion of the Plan during the term of this contract are excluded. Providers that sign up for the Clear Pricing Program are excluded.	Offers the least comparative value. While BCBSNC offers the lowest trend target, it is diminished by the lowest dollar amount at risk and the removal of all claims for individuals over \$250,000 (not just the amounts over \$250,000).
UMR	████	REDACTED	████	████	████	Claim amounts in excess of \$250,000 for any individual claimant are excluded	Pharmacy claims are excluded. Mental Health and Substance Use Disorder (MHSUD) claims are excluded.	Offers moderate comparative value. Illustrates a commitment to manage trend at least 1% lower than its BoB and places the most amount at risk. However, as it is prospectively based on UHC's BoB, it offers minimal protection from increases in market/industry trend. Also, does not include MHSUD claims.

1.2.3 See footnotes on following page

# Network Pricing Guarantee Scoring (cont.)

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## Network Pricing Guarantees Score

	Rank	Score	Summary Comments
Aetna	2	1	Offers both discount and trend guarantees of moderate comparative value.
BCBSNC	1	0	Offers the least comparative value for both discount and trend guarantees, primarily due to the amount at risk. BCBSNC's low amount at risk is due to a combination of having significantly lower admin fees and only placing 5% of admin at risk.
UMR	3	2	Offers the greatest comparative value discount guarantee and a moderate comparative value (including the most at risk) trend guarantee.

### **Analysis Notes**

**Network Pricing Guarantee Scoring Criteria described on page 3 of this report.**

All vendors also provided percent of Medicare pricing guarantees with relative values that appear consistent with the discount guarantee relative values and the Network Pricing Guarantee Scoring.

1. Network discounts are based on vendor responses to the claims repricing (RFP Attachment A-3). Vendors were expected to reprice based on provider contracts in place, or near-future contract improvements bound by letters of intent, at the time of the repricing. Adjustments were made to UMR's discount to remove the 4% in projected discounts UMR indicated were included in its repricing.
2. Vendor Projected Discounts represents a weighted average of self-reported discount improvements from Aetna and BCBSNC and an aggregate self-reported discount from UMR.
3. Discount guarantees are aggregate discount guarantees for Aetna and UMR and a weighted blend of guarantees by service category and in-state and out-of-state for BCBSNC.

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# | Supplemental Information

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# Supplemental Information

## 3-Year Projected Total Cost

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Total Projected Claims	CY 2025	CY 2026	CY 2027	Total (2025-2027)
Aetna	\$3,031,500,000	\$3,205,200,000	\$3,389,300,000	\$9,626,000,000
BCBSNC	\$2,976,300,000	\$3,147,000,000	\$3,327,800,000	\$9,451,100,000
UMR	\$3,163,300,000	\$3,365,000,000	\$3,557,900,000	\$10,086,200,000

Total Administrative Cost	CY 2025	CY 2026	CY 2027	Total (2025-2027)
Aetna	\$100,400,000	\$100,900,000	\$100,600,000	\$301,900,000
BCBSNC	\$57,200,000	\$78,800,000	\$102,700,000	\$238,700,000
UMR	\$112,200,000	\$122,100,000	\$123,000,000	\$357,300,000

Total Projected Costs	CY 2025	CY 2026	CY 2027	Total (2025-2027)
Aetna	\$3,131,900,000	\$3,306,100,000	\$3,489,900,000	\$9,927,900,000
BCBSNC	\$3,033,500,000	\$3,225,800,000	\$3,430,500,000	\$9,689,800,000
UMR	\$3,275,500,000	\$3,487,100,000	\$3,680,900,000	\$10,443,500,000

### Analysis Notes

- **We recommend further clarifications with vendors to confirm the claims repricing responses used in the projected claims costs.**
- Please see notes included at the bottom of the exhibits for each scoring section.

# Supplemental Information

## 2025 Administrative Fees – Standard Services

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<b>Standard Services PSPM All Subscribers</b>	<b>Aetna</b>	<b>BCBSNC</b>	<b>UMR</b>
Claims Administration	Included	Included	Included
Customer Service	Included	Included	Included
ID Cards	Included	Included	Included
Utilization Review	Included	Included	Included
Medical Management	Included	Included	Included
Network Access	Included	Included	Included
Appeals	Included	Included	Included
Enrollment/EDI Reconciliation	Included	Included	Included
Outbound Data Files	Included	Included	Included
Secure Member Portal	Included	Included	Included
Audits	Included	Included	Included
Standard Reporting	Included	Included	Included
Custom Reporting	Included	Included assuming no programming required	Included
Ad Hoc Reporting	Included	Included assuming no programming required	Included
Other Services Included	Aetna Concierge (Dedicated Customer Service/Claims), 24 Hour Dedicated Nurse Line, Individual ID Cards (custom), Dedicated Lead Director of Account Management, Dedicated Account Manager, Dedicated Account Executive, Dedicated Implementation Manager, Dedicated Provider Call Center, Dedicated Member Services Team, Integration with Stop Loss Vendor	Did not specify	Our offer ensures the State of North Carolina receives true and transparent fixed expenses for 3 years for ASO Administration. There are no hidden costs from other programs and there is full transparency for State of North Carolina's ASO administration expenses. The following services are included: Plan Advisor; Emerging CARE Program; Subrogation; Credit Balance Recoveries; Waste, Fraud & Abuse; Advanced Claim Review; CRS Enhanced (OON Claims)
<b>Standard Services Fees - Subtotal</b>	<b>\$23.25</b>	<b>\$14.55</b>	<b>\$24.25</b>

The above illustrates a side-by-side comparison of vendor responses to the administrative exhibits.

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# Supplemental Information

## 2025 Administrative Fees – Disease Management

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<b>Disease Management PSPM</b> <i>(Excludes Medicare Primary)</i>	<b>Aetna</b>	<b>BCBSNC</b>	<b>UMR</b>
Disease Management	Included	Included	Included
Care Coordination	Included	Included	Included
Lifestyle Coaching	Included	Included	Included
Transition of Care	Included	Included	Included
High Utilizer Programs	Included	Included	Included
Complex Case Management	Included	Included	Included
PHM Services via Secure Member Portal	Included	Included	Included
Digital Coaching	Included	Included	Included
Health Risk Assessment	Included	Included	Not Included
Other Services Included	Behavioral Health Wellbeing, Medication Therapy Management, Opioid Case Management, 24/7Nurse Hotline	Did not specify	Did not specify
<b>DM Fees - Subtotal</b>	<b>\$0.00</b>	<b>\$2.79</b>	<b>\$3.85</b>

<b>Buy-Up Disease Management Programs PSPM</b> <i>(Excludes Medicare Primary)</i>	<b>Aetna</b>	<b>BCBS</b>	<b>UMR</b>
HealthNotes			\$0.35
Events and Challenges			\$1.15
Maternity CARE			\$0.65
Persistent neck and back Pain CARE			\$0.12
Orthopedic Health Support			\$0.66
Health Risk Assessment			Included in the "Enhanced Health and Wellness Program"
Enhanced Health and Wellness Program			\$3.95

The above illustrates a side-by-side comparison of vendor responses to the administrative exhibits.

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# Supplemental Information

## 2025 Administrative Fees – Biometric Screening

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Biometric Screenings Per Participant Fees	Aetna	BCBSNC	UMR
<b>Onsite Biometric Screening 1:</b> Finger Stick, Full Lipid Panel, Blood Glucose or A1c (for diabetics only), Blood Pressure, Height, Weight, BMI Calculation, Waist Circumference, and Counseling	\$46.40	\$45.00	\$54 per person; \$19 for A1c for diabetics
<b>Onsite Biometric Screening 2:</b> Finger Stick, Full Lipid Panel, A1c (all), Prediabetes Paper Test (for non-diabetics), Blood Pressure, Height, Weight, BMI Calculation, Body Composition including Waist Circumference or Waist-to-Hip Ratio and other methods, and Counseling	\$46.40	\$67.00	\$54 per person; \$19 for A1c for diabetics
Additional Notes	Did not include	<p>If the Plan elects counseling with either option above the cost is \$17 per hour/telephonic and \$125 per hour/onsite</p> <p>Each Clinic is quoted with a thirty (30) Recipient minimum, per Clinic. In the event a Clinic does not meet the thirty (30) Recipient minimum entity will bill for additional Recipients to meet the minimum. Entity will be billed for 80% of the projected minimum per Clinic, or actual participation, or thirty (30) Recipient minimum, whichever is greater. The projected minimum is used to calculate the number of staff required for a clinic. This number must be furnished by noon EST ten (10) business days prior to all Clinics, excluding Federal Holidays. The rate used to calculate additional screenings to meet the projected minimum will be the lesser of the fasting or non-fasting screening rates for the Clinic.</p>	Venipuncture full lipid panel, blood glucose or A1C for diabetics only, blood pressure, height, weight, BMI calculation, waist circumference - \$53.50, A1c - \$10

The above illustrates a side-by-side comparison of vendor responses to the administrative exhibits.

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## 2025 Administrative Fees – Additional Services

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Additional Services PSPM	Aetna	BCBSNC	UMR
Health Savings Accounts (HSA)	\$1.25	\$1.75 per account per month	\$2.75
Health Reimbursement Accounts (HRA)	\$2.45	\$3.25 per account per month	\$3.00
Assume Claims Fiduciary Liability	Included	Included	Included
Exception processing	Included	Included	Included
1095 Reporting	Included	Not included; will provide cost proposal if the Plan chooses this service; total estimated cost, including printing and distribution, ranges from \$150,000-\$250,000 for the level of service provided for 2020 and 2021 tax years	Included
Various required filings (including New York and Massachusetts surcharge filing, and Michigan Public Act 142 filing)	Included	Included	Included
Telehealth services	Included	\$1.00	\$0.97
Annual OE Plan Vendor testing	Included	Included	Included
Subrogation	\$0.95	Did not specify	Included
Other Services Available for Additional Cost <i>(Please see proposals for specific costs)</i>	Did not specify	Diagnostic Imaging Management Program, Oncology Program (utilization management and treatment pathways), New, Optional Programs Introduced During Contract Term (e.g., new utilization management programs), Customized Member and Provider Communications (e.g., welcome kits, promotional material, letters, custom EOBs, EOB stuffers, etc.), ID Card Customization (other than Plan logo), Surveys of HBRs and Members , Smart Shopper Tool, Incentives, Value Based Programs, HSA/ HRA Member Account Fees (billed directly to member) for replacement cards, reimbursement checks, returned deposits, stop payments, distribution of excess contribution, account closing, paper account statements)	Telehealth Behavioral (This is an optional add-on for Telehealth services), Consumer Card HRA (Per Card Per Month), Consumer Card HSA (Per Card Per Month), HSA Banking Fees (Optum Bank), Events and Challenges, Maternity CARE, Persistent neck and back Pain CARE, Orthopedic Health Support, , Enhanced Health and Wellness Program

The above illustrates a side-by-side comparison of vendor responses to the administrative exhibits.

Blue Cross Blue Shield of North Carolina (Blue Cross NC)  
RFP # 270-20220830TPAS  
Third Party Administrative Services  
November 10, 2022

### Request for Clarification #2

Regarding Blue Cross NC's response to Attachment A: Pricing, the Plan requests Blue Cross NC to clarify the following by responding via email no later than 11:59 a.m. ET on Friday, November 11, 2022 to Vanessa Davison, [vanessa.davison@nctreasurer.com](mailto:vanessa.davison@nctreasurer.com), SHP Contract, [shpcontracting@nctreasurer.com](mailto:shpcontracting@nctreasurer.com), and Stephen Kuhn, [SKuhn@segalco.com](mailto:SKuhn@segalco.com).

1. In the claims repricing of the file provided in Attachment A-3, please indicate whether your response is based only on provider contracts in place, or near-future contract improvements bound by letters of intent, at the time of the repricing; OR, your response reflects projected future discounts beyond those bound by letters of intent. If this is the case, provide the discount value of these future discounts.

**Answer:**

**The repricing in Attachment A-3 is based on provider contracts that are in place. There were not any adjustments made for letters of intent or future contract improvements in A-3.**

2. Your claims repricing of out-of-network claims indicates a total allowed amount that is 53.8% lower than the charge amount. Please provide a detailed description of your methodology in repricing these claims.

**Answer:**

**The repricing analysis was performed at the provider level using the Provider Tax ID Number (TIN), coupled with the type of service. If discounts are non-credible at the TIN level, member or provider zip code average discounts are used. This is also done at the type of service level.**

**Out-of-network claims were priced based on the out-of-network fee schedule of the local Blue Cross plan or pricing agreements that are in place with an out-of-network provider and the local Blue Cross plan. In addition, only 33.4 million of total charges were out-of-network compared to 5.84 billion in total in-network claims paid. The discount percentage is impacted by a small percentage of very large charges associated with some of the out-of-network claims.**

3. In your response to Attachment A-6, you indicate discount improvements by county of 4% to 10%.
  - a. Are these improvements reflected in your claims repricing response?



**Answer:**

**No. The repricing in Attachment A-3 is based on provider contracts that are in place. There were not any adjustments made for letters of intent or future improvements in A-3. Future improvements to contracts were only included in Attachment A-6 and that methodology is described in our response to question 3b below.**

- b. You did not indicate how these improvements will be achieved, as requested in the RFP. Provide an explanation on how these improvements will be achieved.

**Answer:**

**The improvements shown in Attachment A-6 reflect our contracted increases with each provider against a standard trend on billed charges. We used annual billed charge trends of 4% for Inpatient and Professional services, and 6.5% for Outpatient services. These trends are the same as those put forth in the Uniform Data Standards agreed to by carriers and consulting firms for projecting discounts from a base data period to a period in the future. Our negotiated contracts do not include a provision allowing fee schedules to increase as a result of inflation, CPI inflators, or other economic factors. Therefore, as charges increase due to inflationary pressures, our reimbursement rates remain fixed. In addition, we undertake diligent cost management activities to control medical cost through:**

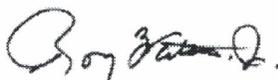
- **Care management programs**
- **Fraud, Waste, and Abuse program**
- **Payment Integrity program**
- **Claims Audits**
- **Prior Authorization**

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**Sign Clarification:**

**Offeror:** Blue Cross Blue Shield of North Carolina

**Authorized Signature:**



**Name and Titled (Typed):**

Roy Watson, Vice President Group and State Segment

**Date:** 11/11/22

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Blue Cross Blue Shield of North Carolina (Blue Cross NC)  
RFP # 270-20220830TPAS  
Third Party Administrative Services  
November 15, 2022

### Request for Clarification #3

Regarding Blue Cross NC's response to Attachment A: Pricing, the Plan requests Blue Cross NC to clarify the following by responding via email no later than 3:00 p.m. ET on Wednesday, November 16, 2022 to Vanessa Davison, [vanessa.davison@nctreasurer.com](mailto:vanessa.davison@nctreasurer.com), SHP Contract, [shpcontracting@nctreasurer.com](mailto:shpcontracting@nctreasurer.com), and Stephen Kuhn, [SKuhn@segalco.com](mailto:SKuhn@segalco.com).

1. In your response to Request for Clarification #2, you indicated that your, "repricing in Attachment A-3 is based on provider contracts that are in place. There were not any adjustments made for letters of intent or future contract improvements in A-3."

The instructions provided in the RFP indicated, "Vendors are expected to reprice each claim line based on provider contracts in place, or near-future contract improvements bound by letters of intent, at the time of the repricing."

As such, a Vendor's repricing may reflect contracted discount improvements to enforce provider contracts as well as near-future improvements bound by letters of intent. If these were not reflected in your repricing as indicated in your response to Request for Clarification #2, provide the absolute value of the discount improvement associated and a detailed description of the improvement. If these were not included as they are not applicable to your provider contracting, indicate that.

**Answer:**

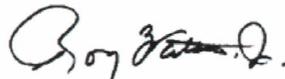
**The repricing analyses was done with historical discount data projected forward, capturing the signed 2023 contractual reimbursement rate changes. Projected discounts were then calculated using industry-approved methodologies, based on the submitted, known contracting changes and the Uniform Data Standards' (UDS) prescribed billed charges trends.**

**No adjustments were made for letters of intent.**

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**Sign Clarification:**

**Offeror:** Blue Cross Blue Shield of North Carolina  
**Authorized Signature:** \_\_\_\_\_



**Name and Titled (Typed):** Roy Watson, Vice President Group and State Segment

**Date:** 11/16/22



Blue Cross Blue Shield of North Carolina (Blue Cross NC)  
 RFP # 270-20220830TPAS  
 Third Party Administrative Services  
 November 18, 2022

**Request for Clarification #4**

Regarding Blue Cross NC’s response to Attachment A: Pricing, the Plan requests Blue Cross NC to clarify the following by responding via email no later than 11:59 P.M. ET on Tuesday, November 22, 2022 to Vanessa Davison, [vanessa.davison@nctreasurer.com](mailto:vanessa.davison@nctreasurer.com), SHP Contract, [shpcontracting@nctreasurer.com](mailto:shpcontracting@nctreasurer.com), and Stephen Kuhn, [SKuhn@segalco.com](mailto:SKuhn@segalco.com).

- In your response to Request for Clarification #2, you indicated that your, “repricing in Attachment A-3 is based on provider contracts that are in place. There were not any adjustments made for letters of intent or future contract improvements in A-3.”

In your response to Request for Clarification #3, you stated: “The repricing analyses was done with historical discount data projected forward, capturing the signed 2023 contractual reimbursement rate changes. Projected discounts were then calculated using industry-approved methodologies, based on the submitted, known contracting changes and the Uniform Data Standards’ (UDS) prescribed billed charges trends. No adjustments were made for letters of intent.”

This is not consistent with the cost proposal instructions.

Due to the lack of clarity in your responses, we require that the chart below be filled out in its entirety. Based on your prior responses, we prepopulated, to the best of our understanding, your levels in the appropriate row. If our interpretation is incorrect, please move those numbers to the appropriate position in the chart. All rows are to be populated with the discount increases attributed to the listed item. If the listed item is not considered in your submission, the discount should be the same as the line above. **It is not acceptable to provide the same discount for all line items** and indicate that the discount increase for all these items are combined together.

	In -Network Discount Accumulation	Example
<b>2021 Claims Data using 2021 Contracts</b>	51.2%	50.0%
<b>Indicate the increase in discounts attributed to each of the following:</b>		
<b>Discounts as of Repricing Date (e.g., 11/1/22)</b>	54.0%	51.0%
<b>Current Letters of Intent</b> (should <u>not</u> include assumed increases in billed charges)	54.0%	51.4%
<b>Known Contract Improvements</b> (should <u>not</u> include assumed increases in billed charges)	54.0%	52.5%
<b>Assumed Increases in Billed Charges</b>	57.8%	53.5%
<b>Anticipated Contract Improvements</b>	57.8%	54.0%
<b>Other (please clarify)</b>	57.8%	54.0%
<b>Expected 2025 Discounts</b>	57.8%	54.0%



This chart should reconcile to prior submissions and clarifications.

Failure to accurately fill out this chart or mislead the evaluation could result in disqualification.

**Answer:**

We have completed the chart above as requested. The repricing analysis submitted in attachment A-3 is based on the 2023 signed contractual reimbursement rate changes and accounts for all known signed contracts. Blue Cross NC does not utilize letters of intent as they do not provide certainty. We rely solely on signed, binding contracts. The difference in the expected 2025 discount of 54% in your example and the 57.8% expected 2025 discount we provided is accounted for by applying the information provided in Attachment A-6 to the repriced data. As stated in Clarification Question # 2, Attachment A-6 reflects our contracted increases with each provider against a standard trend on billed charges. We used annual billed charge trends of 4% for Inpatient and Professional services, and 6.5% for Outpatient services. These trends are the same as those put forth in the Uniform Data Standards agreed to by carriers and consulting firms for projecting discounts from a base data period to a period in the future.

2. Please provide a comparison of the Expected 2025 Discounts percentage (from the above chart you completed in response to request #1) and your proposed 2025 target discount guarantee and explain any variances.

**Answer:**

The overall revised 2025 discount guarantees provided in Attachment A-8, BAFO #1 are approximately 2% less than our expected 2025 discount. The variance in the discount guarantee is due to the following:

- The discount guarantees exclude all large claims over \$250,000 as directed in Attachment A-8. Our expected 2025 discount includes all claims over \$250,000.
- The discount guarantees exclude out-of-network claims and claims where Medicare, Medicaid, or another insurer is primary.
- The discount guarantees also reflect anticipated service, provider, and demographic mix changes from 2021 to 2025 based on the Plan's historical experience.

The 57.8% expected 2025 discount, produced as a part of our calculations for Attachment A-6, is based on a projection of repriced claims and does not consider items such as service mix, provider mix, and increased morbidity due to aging.

3. In your proposal, you included a pre-implementation credit of \$13.5 million that would be payable monthly during 2024.

- a. Describe how these payments be made.

**Answer:**

The payments for the pre-implementation credit would be made monthly to the Plan, either via a credit to an existing invoice or via an ACH transfer to the Plan, whichever the Plan prefers.

- b. Are these payments made automatically, or are services/costs required to be submitted for reimbursement?

**Answer:**

The payments for the pre-implementation credit would be made automatically. Services are not required to be submitted for reimbursement.

- c. If services are required for reimbursement, are the services limited to those performed by Blue Cross NC?

**Answer:**

Services are not required to be submitted and are not limited to those performed by Blue Cross NC.

4. In your proposal, you included an implementation credit of \$4.5 million that would be payable 30 days after implementation on the first invoice of the contract.

- a. Is this payment automatic, or are services/costs required to be submitted for reimbursement?

**Answer:**

Payment for the implementation credit of \$4.5 million would be automatic and services would not be required to be submitted for reimbursement.

- b. If services are required for reimbursement, are the services limited to those performed by Blue Cross NC?

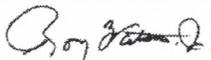
**Answer:**

Services are not required to be submitted and are not limited to those performed by Blue Cross NC.

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**Sign Clarification:**

**Offeror:** Blue Cross Blue Shield of North Carolina

**Authorized Signature:** 

**Name and Titled (Typed):** Roy Watson, Vice President of Group and State Segment

**Date:** 11/22/22

Blue Cross Blue Shield of North Carolina (Blue Cross NC)  
 RFP # 270-20220830TPAS  
 Third Party Administrative Services  
 November 22, 2022

**Request for Clarification #5**

Regarding Blue Cross NC’s response to Clarification #4, the Plan requests Blue Cross NC to clarify the following by responding via email no later than 11:59 A.M. ET on Wednesday, November 23, 2022 to Vanessa Davison, [vanessa.davison@nctreasurer.com](mailto:vanessa.davison@nctreasurer.com), SHP Contract, [shpcontracting@nctreasurer.com](mailto:shpcontracting@nctreasurer.com), and Stephen Kuhn, [SKuhn@segalco.com](mailto:SKuhn@segalco.com).

1. In your response to Request for Clarification #4, you provided the completed exhibit below:

	In -Network Discount Accumulation	Example
<b>2021 Claims Data using 2021 Contracts</b>	51.2%	50.0%
<b>Indicate the increase in discounts attributed to each of the following:</b>		
<b>Discounts as of Repricing Date (e.g., 11/1/22)</b>	54.0%	51.0%
<b>Current Letters of Intent</b> (should <u>not</u> include assumed increases in billed charges)	54.0%	51.4%
<b>Known Contract Improvements</b> (should <u>not</u> include assumed increases in billed charges)	54.0%	52.5%
<b>Assumed Increases in Billed Charges</b>	57.8%	53.5%
<b>Anticipated Contract Improvements</b>	57.8%	54.0%
<b>Other (please clarify)</b>	57.8%	54.0%
<b>Expected 2025 Discounts</b>	57.8%	54.0%

The Plan requests Blue Cross NC to confirm that the 54.0% does not include any assumed increases in billed charges.

**Answer:**

The instructions provided in the RFP indicated, “Vendors are expected to reprice each claim line based on provider contracts in place, or near-future contract improvements bound by letters of intent, at the time of the repricing.” Blue Cross NC completed the repricing using “current and near future” provider contracts in the repricing analysis. The claims repricing analysis was conducted in November and the known “near future” contracts include new contracts and rates into 2023. Therefore, the claims repricing of 54.0% represents 2023 discounts.

As Blue Cross NC confirmed in Clarification #3, 2023 repriced discounts were calculated using industry approved methodology based on the 2023 contracting changes and including industry standard UDS prescribed billed charge trends. These charge trends would be consistent with accepted industry standards in completing a repricing exercise.

When calculating 2023 discounts, both the billed trend and the allowed trends are considered to create the expected 2023 discount. Leveraging the allowed charge trend without the billed charge trend would not represent 2023 expected discounts. Therefore, based upon the above



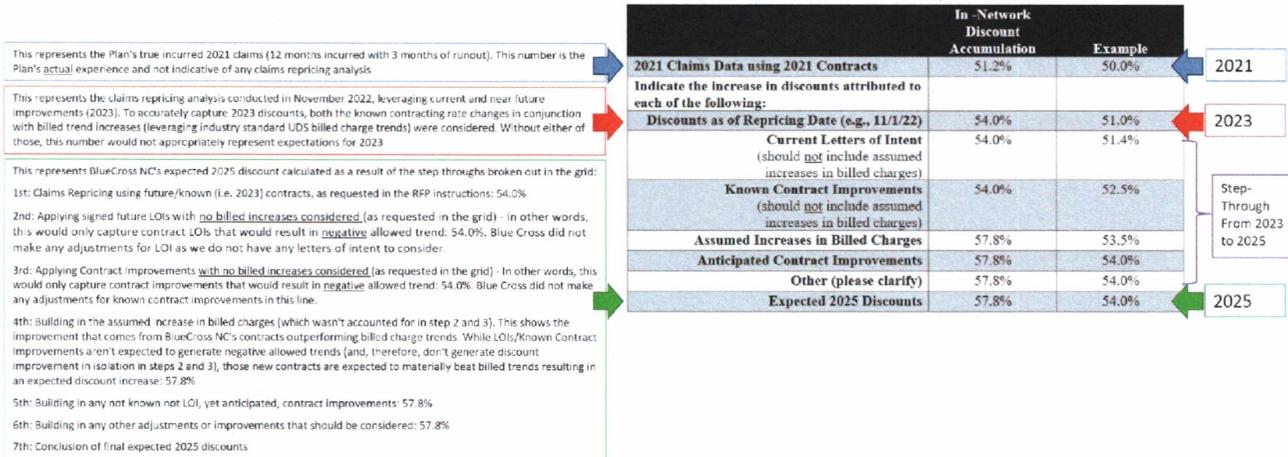
explanation, Blue Cross NC did include increases in billed charges as a part of the calculation to arrive at the 54% 2023 discount as a part of the repricing exercise.

- The Plan requests Blue Cross NC to explain how its average discount is improving by 2.8% from 51.2% to 54.0%.

**Answer:**

The 51.2% average discount is the Plan’s achieved discount based on full year 2021 claims data (12 months of incurred with 3 months of runoff). The 54% represents the results of the claims repricing analysis using the 2021 claims data as the basis of the analysis and repricing it with the most recent signed and active contracts. The claims repricing will represent average discounts expected based on the Plan’s population and experience. The improvement experienced between the baseline period (2021: 51.2%) and the claims repricing period (2023: 54%) of 2.8% includes implemented contractual improvements that occurred since 2021. This level of improvement observed over this period is consistent with what Blue Cross NC has observed historically and is also consistent with the improvements we expect to continue seeing in the future (as submitted in this RFP via Attachment A-6). Figure 5.1. below, represents an illustrated explanation. For your convenience, we have also provided this explanation as a separate attachment, Appendix 5.1 – Explanation of Calculated Average Discount.

**Figure 5.1. Explanation of Calculated Average Discount**



**Sign Clarification:**

**Offeror:**

Blue Cross Blue Shield of North Carolina

**Authorized Signature:**

**Name and Titled (Typed):**

Roy Watson, Vice President Group and State Segment

**Date:**

11/23/22

This represents the Plan's true incurred 2021 claims (12 months incurred with 3 months of runout). This number is the Plan's actual experience and not indicative of any claims repricing analysis

This represents the claims repricing analysis conducted in November 2022, leveraging current and near future improvements (2023). To accurately capture 2023 discounts, both the known contracting rate changes in conjunction with billed trend increases (leveraging industry standard UDS billed charge trends) were considered. Without either of those, this number would not appropriately represent expectations for 2023

This represents BlueCross NC's expected 2025 discount calculated as a result of the step throughs broken out in the grid:

1st: Claims Repricing using future/known (i.e. 2023) contracts, as requested in the RFP instructions: 54.0%

2nd: Applying signed future LOIs with no billed increases considered (as requested in the grid) - In other words, this would only capture contract LOIs that would result in negative allowed trend: 54.0%. Blue Cross did not make any adjustments for LOI as we do not have any letters of intent to consider.

3rd: Applying Contract Improvements with no billed increases considered (as requested in the grid) - In other words, this would only capture contract improvements that would result in negative allowed trend: 54.0%. Blue Cross did not make any adjustments for known contract improvements in this line.

4th: Building in the assumed increase in billed charges (which wasn't accounted for in step 2 and 3). This shows the improvement that comes from BlueCross NC's contracts outperforming billed charge trends. While LOIs/known Contract improvements aren't expected to generate negative allowed trends (and, therefore, don't generate discount improvement in isolation in steps 2 and 3), those new contracts are expected to materially beat billed trends resulting in an expected discount increase: 57.8%

5th: Building in any not known not LOI, yet anticipated, contract improvements: 57.8%

6th: Building in any other adjustments or improvements that should be considered: 57.8%

7th: Conclusion of final expected 2025 discounts

	In -Network Discount Accumulation		
		Example	
2021 Claims Data using 2021 Contracts	51.2%	50.0%	2021
<b>Indicate the increase in discounts attributed to each of the following:</b>			
Discounts as of Repricing Date (e.g., 11/1/22)	54.0%	51.0%	2023
Current Letters of Intent (should not include assumed increases in billed charges)	54.0%	51.4%	Step-Through From 2023 to 2025
Known Contract Improvements (should not include assumed increases in billed charges)	54.0%	52.5%	
Assumed Increases in Billed Charges	57.8%	53.5%	2025
Anticipated Contract Improvements	57.8%	54.0%	
Other (please clarify)	57.8%	54.0%	
<b>Expected 2025 Discounts</b>	<b>57.8%</b>	<b>54.0%</b>	