

**16-008 – RFP
Life Insurance
Questions and Answers
Amendment 5
February 23, 2016**

The following questions were received February 10-19, 2016.

NOTE: Responses to the RFP are due on March 2, 2016 by 2:00 p.m. (PST). As a reminder, the only one authorized to communicate to potential bidders on the RFP is Kimberly French, other communications may be grounds for disqualification.

Question Number	Vendor Question	HCA Response
1	Please provide a list of the payroll systems currently used by the HCA in addition to Workday and Pay1.	<p>Human Resources Management System (HRMS)—proprietary system for some state agencies</p> <p>University of Washington—old proprietary system and WorkDay</p> <p>Western Washington University—proprietary system</p> <p>Central Washington University—proprietary system</p> <p>Community and Technical Colleges (CTCs)—2 different proprietary payroll systems</p> <p>Evergreen State—proprietary system</p> <p>Eastern Washington University—proprietary system</p> <p>Washington State University—proprietary system</p>
2	Is the evaluation of total cost on the bid going to be based on premium rates or estimated annual premium? If it's estimated annual premium, will the same volume estimates be used for all carriers?	We will be evaluating the bid based on the premium rates. For the objective cost formulas described on pages 31-34 of the RFP, the "lowest cost bid"/ "lowest bid rate" refers to the bidder's premium rates, not annual premium.

<p>3</p>	<p>For the par quotes, how do retention charges enter into determining the cost of the bid?</p>	<p>The premium bid for each plan reflects both expected claim payment <i>and</i> retention charges. Thus, our calculations on pages 32-34 of the RFP already take into account the retention charges, because they take into consideration quoted premiums which include retention. There is not a separate calculation weighing the specific retention charges; however, the Target Loss Ratio, which is weighted separately, provides some additional consideration of retention (See answer to Question 5)</p> <p>Additionally, HCA has not yet decided whether we will go with a participating, non-participating, or split funding method. Please note that regardless of the funding method, we do not want cross subsidization between the Employer Paid and Employee Paid premiums. For the sake of clarity, we have <u>added</u> the following language to section 1.2.1 of the RFP stating:</p> <p><u>“The possibility of choosing a “split funding structure” – i.e., choosing participating funding for the employer-paid plan and non-participating for the employee-paid plan or vice versa – does exist. Therefore, we do not want cross-subsidization between the employer-paid premiums and the employee-paid premiums, regardless of funding method. Bidders who are able to support a split funding structure, whichever one is chosen, without any effect to premiums will be awarded five (5) additional points*.”</u></p>
<p>4</p>	<p>Why are the points for life and AD&D given independently?</p>	<p>We have redesigned the Basic and the Supplemental life insurance plans. Life and Accidental Death and Dismemberment are separate plans under this new design, so each is being scored independently.</p>
<p>5</p>	<p>Why are target loss ratios given 25 points? Target loss ratios are carrier estimates and the definition of loss ratio varies between carriers.</p>	<p>We believe that the Target Loss Ratios (TLRs) are important in evaluating the reasonableness of the pricing methods and assumptions. We feel that TLRs are a good indicator of an insurance carrier’s expected claim costs and retention charges. Furthermore, because the TLR will be used for benchmarking future experience for pricing purposes, we feel that it is an important consideration that should be given weight in the evaluation of the proposals.</p>

6	How will any variances from the request plan and issue limits impact cost points?	As stated in section 2.8, paragraph 2 of the RFP, "Any deviations from core cost or design elements... will be deemed unresponsive." If bidders wish to offer richer benefits for those items not designated core cost or design elements, HCA would be willing to discuss them during contract negotiations; however, the objective scoring criteria neither rewards nor penalizes those richer benefits.
7	Should the formula to calculate the average of the Par and Non-Par quote be $(P+NP)/2$ vs $(P+NP/2)$?	Yes. This was a typo that was repeated throughout the evaluation. Please see Amendment 6.
8	Should the most points for target loss ratio be given to the highest TLR (vs the lowest)?	<p>Bidders state Target Loss Ratios (TLRs) differently. HCA will normalize the TLRs from the bids and award points accordingly.</p> <p>For instance, if Bidder #1 states that their TLR is 12 percent and Bidder #2 indicates their TLR is 87 percent, then HCA will convert Bidder #2's TLR to 13 percent for purposes of scoring. Bidder #1 would have the "lowest TLR" in this instance and be given the most points.</p> <p>We will evaluate the TLRs in terms of how they translate into expected retention charges and costs to employer and employees. The lower the expected costs, the more points will be awarded.</p> <p>Bidders should specify in their proposals whether the TLR does or does not tie directly to retention and expected claim costs (for example, if the plans were priced using an artificially high loss ratio in order to draw down surplus amounts in the premium stabilization reserves).</p>
9	With no age reductions, will employees on waiver get their full benefit until death or will waiver terminate at a given age?	We are still undecided whether or not to change the waiver benefit period, and if we decide to change the provision then age reduction schedules will be negotiated during the contracting process. Please calculate premium rates based on the current provision for the time being.
10	Is the State open to alternatives that will limit the anti-selection expected from a full open enrollment for retirees?	No.
11	Can you elaborate on why going out to bid now? (They've been with current carrier for very long time)	HCA wished to make changes to plan design that required us to re-procure the Life Insurance benefit.

12	Currently a \$25,000 flat benefit, the bid sheet shows \$50,000, do you want to see both levels quoted?	We are seeking to increase the Basic Life Benefit, as explained in RFP section 1.2.2. Accordingly, for the Basic Life benefit, we are seeking a bid for \$50,000 (Plan A).
13	Please provide an updated balance for the PSR. The data provided was as of 1/1/2015.	Approximate balances as of February 21, 2016 are: Employer PSR: \$2,010,000 Employee PSR: \$11,860,000
14	Please provide the current PSR balances as of 1/1/2016.	Please see the answer to Question 13.
15	Please confirm the change in Section 2.9 from RFP No. 15-022 to RFP No. 16-008. You note there is a change, but we could not find it.	This was a typo and should be Section 2.8 RESPONSIVENESS. Please see Amendment 7.
16	Section 1.1.5.5 Transition Options for Current Enrollees on Waiver of Premium. Please clarify the service and additional detail HCA is looking for. Your RFP confirms those employees who are approved for Premium Waiver as of 1/1/2017 will remain the liability and management responsibility of the current carrier.	Our current contract states that they will continue on ReliaStar Life Insurance coverage until they are recovered from their disability or they pass away. We are inquiring to see if bidders have an alternative method of administering these "legacy" enrollees. However, their beneficiary designation and other details will have to be administered by their employer. We are asking for potential administration solutions to this problem.
17	In section 1.1.5.5, please clarify your request. Is the State seeking a proposal to buy-out the existing Waiver of Premium claim liability? If so, we will need a census list with gender, date of birth, date of disability and face amount of coverage.	We are not asking for a proposal to buy out the existing claim liability. We are interested instead in possible administrative solutions to the contract run-out. See Appendix 1.
18	Regarding item 1.1.5.5 Transition Options for Current Enrollees on Premium Waiver, which reads "HCA is interested in ideas in how the Bidder would manage current enrollees who are on premium waiver." Based on the policy language currently in place, we believe waiver claims will remain with the current carrier and will continue to be managed by them going forward. Please verify that you agree or provide us with additional information to review.	Please see the answers to Questions 16 and 17.
19	Can the HCA please explain their intent in Section 1.1.5.5, Transition Options for Current Enrollees on Premium Waiver? Could an example be provided?	Please see the answers to Questions 16 and 17.
20	Please outline additional details on the proposed reporting structure for 2017. For example, do you envision experience reporting across the entire population, or an ability to track it separately down the employer level (i.e. for each of the 461 employers within the HCA).	The full extent of reporting will be negotiated during contract negotiations, but we do want data broken down by agency available to HCA, including at least demographic data, aggregate cause of death information, claims pay-out, and supplemental election rates.

21	On page 30 of the RFP, the following question appears twice, "Group term life insurance plans for US States". Should one of these two questions be, "Group insurance plans for US States" to allow carriers the opportunity demonstrate experience working with large state plans for any type of insurance coverage?	This was a typo in the RFP; c. will now read: "Large group insurance plans for government entities". Please see Amendment 6.
22	Please provide the remainder of premium and claims experience for 2015 for all coverages.	The information is not available. We do not receive the premium and claims experience data until after April 30, each year.
23	Please provide an updated open waiver list as of 12/31/15. This should include gender, date of disability, date of birth, and face amount.	Please see the answer to Question 26.
24	Please provide the 2015 annual experience calculation.	The calculation is not available. We do not receive the annual experience data until after April 30, each year.
25	Please provide the RFP in Word or 'unsecured' PDF format so that we may properly respond to the RFP.	An unsecured PDF has been posted to HCA's website (http://www.hca.wa.gov/contracts_procurements/Pages/index.aspx).
26	You have mandated a complete open enrollment with no evidence of insurability for any eligible employee, retiree, and their dependents. The retiree life plan is increasing significantly from a maximum of \$1,800 age 70 and after to up to \$20,000. We want to verify the intent. For example, is the intent to allow a 95 year old retiree not currently enrolled and who chose not to enroll at retirement to be able to enroll for \$20,000 for 1/1/2017? If so please provide the number of retirees that are eligible for coverage. Also provide ages and genders for these retirees.	Our intent is to allow all retirees a chance to enroll in the new plan. Yes, a 95 year old retiree not currently enrolled would be allowed to enroll for up to \$20,000 for 1/1/2017. We have attached the number of retirees eligible by age in Appendix 2.
27	How will the communication of an open enrollment for up to \$20,000 for retirees take place? Are we expected to contact the retirees wherever they live by mail/phone/system?	The communication plan for open enrollment for active employees and retirees will be finalized during contract negotiations. However, we will not expect the Bidder to contact each retiree by phone. Please also see the answer to Question 26.
28	Will contingencies fulfill the option for the 10-year rate guarantee and points associated with it, or will the maximum points only be granted to a 10-year rate guarantee with no contingencies only?	Only rate guarantees without contingencies will receive the designated points for their length.