



## Pension & Health Benefits Committee

# Agenda Item 6b

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**September 14, 2021**

**Item Name:** Health Care Decision Support System (HCDSS) Contract Terms

**Program:** Health Benefits

**Item Type:** Action

### **Recommendation**

1. Extend the current HCDSS data warehouse contract (GEN4) for up to one year for CalPERS to develop potential novel requirements that may involve substantial analytical and development effort.
2. Implement proposed contract term for the Fifth Generation (GEN5) HCDSS Data Warehouse Solicitation to a five-year contract term, with renewals of five, one-year term extensions at CalPERS' discretion.

### **Executive Summary**

Every five years, CalPERS undergoes a competitive, lengthy, and labor-intensive solicitation process to identify top health data warehouse proposals that will provide the best solution for CalPERS. The GEN4 contract is set to expire in May 2023. When the solicitation results in a new vendor, CalPERS undergoes a 9-month expensive and labor-intensive process of having two simultaneous data warehouses during the transition.

This agenda item provides analysis and information to the Pension & Health Benefits Committee (PHBC) for consideration to extend the GEN4 HCDSS data warehouse contract term for up to one year to allow for additional novel enhancements to the GEN5 solicitation and implement a five-year contract term, with renewals of five, one-year term extensions to the GEN5 HCDSS Data Warehouse Solicitation at CalPERS' discretion. The GEN5 contract term would have a potential term of ten years if CalPERS opts to extend for each of the five optional years. This would minimize disruption and costs associated with the solicitation and transition to a new vendor if the current vendor is meeting performance objectives. Increasing the HCDSS data warehouse contract term will allow CalPERS to benefit from the time and effort put forth in the design and implementation and create efficiencies.

### **Strategic Plan**

This agenda item supports the CalPERS 2017 – 2022 Strategic Goals of “High quality affordable health care” and “Reduce complexity across the enterprise.”

## Background

CalPERS utilizes the HCDSS data warehouse to manage health care data for rate setting, clinical program evaluation, health plan performance monitoring, and analytical reporting. CalPERS currently maintains a five-year contract with Milliman, Inc. (Milliman) to administer the HCDSS data warehouse and is set to expire in May 2023. The current HCDSS data warehouse contains 12 years of data, with more than 1.0 billion records for approximately 1.5 million active members. The HCDSS is a strategic analytic tool providing a rich source of healthcare financial and utilization data by way of data warehousing and business intelligence services. The HCDSS provides information that CalPERS uses to support business processes and decisions, including:

- Negotiating health plan rates
- Recommending alternative benefit programs
- Identifying opportunities for developing specialized care management programs
- Analyzing cost drivers
- Assessing disease management programs
- Supporting internal and external research projects
- Supporting policy decisions

CalPERS Board Resolution No. 92-04B-4, April 19, 1995, states the Board may permit the award of a contract for more than a five-year term.

## Analysis

Extending the current HCDSS data warehouse contract for up to one year will enable CalPERS to further develop its GEN5 system requirements that may involve substantial analytical and development effort. If the GEN4 contract is not extended, CalPERS runs the risk of not being able to implement new enhancements into the GEN5 HCDSS Data Warehouse Solicitation.

Implementing a five-year contract term, with renewals of five, one-year term extensions may result in a more efficient CalPERS team and reduces solicitation and transition disruptions and costs. Team members along with a third-party entity will perform market checks. If the GEN5 contract term with extensions is not approved, CalPERS runs the risks of expending financial and personnel resources that could be utilized for other projects.

## Transition

The vendor transition of the HCDSS is a complex process that requires thousands of person-hours in numerous functional areas within CalPERS. Based on historical implementations, a successful transition and implementation to a new HCDSS data warehouse vendor takes approximately nine months to complete. During these nine months, CalPERS retains the current HCDSS data warehouse vendor, which creates an overlap of two HCDSS data warehouse vendors until successful implementation of the new one.

Allowing for a longer GEN5 contract would minimize disruption and costs associated with the transition to a new vendor if the current vendor is meeting performance objectives.

## Solicitation

The solicitation of the HCDSS is completed in four phases and is a complex process that requires thousands of person-hours in numerous functional areas within CalPERS. The process begins with releasing the solicitation and ends with awarding the contract.

Allowing the GEN4 contract to be extended for up to one year may permit new enhancements.

## **Budget and Fiscal Impacts**

Approving the extension of the current GEN4 HCDSS data warehouse contract for up to one year does not have a budget or fiscal impact because the transition will remain nine months.

The proposed GEN5 contract has the potential to avoid solicitation and transition costs of over \$2 million as a result of the extended contract term.

## **Benefits and Risks**

### Benefits

Extending the current HCDSS data warehouse contract for up to one year will enable CalPERS to respond to potential novel solutions by the proposers that may require substantial analytical and development effort. It will also streamline operations to gain efficiencies.

Implementing a five-year contract term, with renewals of five, one-year term extensions at CalPERS' discretion for the GEN5 HCDSS Data Warehouse Solicitation would enable CalPERS to continue to enhance the quality and accuracy of CalPERS health care data and provide stability of the program and data. CalPERS believes this also results in a more efficient CalPERS team and reduces solicitation and transition disruptions and costs.

A market check ensures the HCDSS data warehouse is receiving the most up to date technology, methodologies, and services currently offered in the health care data warehousing market.

### Risks

If the current GEN4 contract is not approved for up to one year, the CalPERS team runs the risk of not being able to implement new enhancements into the GEN5 HCDSS Data Warehouse Solicitation.

If the proposed five-year contract term with renewals of five, one-year extensions is not approved, CalPERS risks expending financial and personnel resources that could be better utilized for other projects that could benefit the organization and members.

## **Attachments**

Attachment 1 – Approval of HCDSS Contract Terms

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