



Pension & Health Benefits Committee

Agenda Item 5a

November 14, 2023

Item Name: Long-Term Care Request for Proposal

Program: Long-Term Care

Item Type: Action

Recommendation

Approve the release of a Long-Term Care (LTC) Program Third-Party Administrator (TPA) solicitation.

Approve a 1+1+5 year contract term if the LTC TPA contract is awarded to a new vendor. The 1+1 terms would allow for transition from the current vendor to the new vendor prior to starting the standard 5-year term. Approve a standard 5-year term if awarded to the incumbent.

Approve extension of the current LTC TPA contract with illumifin Corporation (“illumifin”) for up to 24 months to provide sufficient time for the TPA solicitation process.

Executive Summary

The California Public Employees' Retirement System (CalPERS) Board of Administration (Board) retains the authority for the TPA solicitation strategy, structure, and process for the LTC Program. The expected outcomes for the solicitation include identification of top TPA proposals, agreement by proposers to contractual terms desired by the CalPERS, and best and final offers for Board consideration.

We are also requesting approval to extend the current LTC contract for up to an additional 24 months. The extension would provide time for CalPERS to complete the procurement, transition to a new vendor if one is selected, and complete the required Benefit Increase Option (BIO) offer in 2025 without risk of disruption to policyholders.

Strategic Plan

This agenda item supports the CalPERS 2022-2027 Strategic Goal of Exceptional Health Care.

Background

Every five years, CalPERS undergoes a competitive solicitation process to identify LTC Program TPAs that will provide the best administrative services for the CalPERS LTC Program.

The current contract is set to expire December 31, 2024. The anticipated release date of the solicitation is May 2024.

The CalPERS LTC Program has provided long-term care benefits to its policyholders for over 28 years. The Program provides reimbursement for eligible LTC services received by policyholders in claim. The CalPERS LTC TPA provides all administrative services for the program including but not limited to:

- Customer service
- Premium collection
- Coordination of benefits
- Care advisory services
- Claims adjudication
- Claims payments
- Rate Increases
- Benefit Increased Options (BIOs)
- Policy oversight
- Policyholder communication
- Coverage changes: increases and decreases
- Application processing and underwriting for reinstatements and coverage increases
- Fraud waste and abuse detection/prevention services
- Reporting
- Care provider network
- Website for current policyholders

As of June 30, 2023, the program had approximately 99,879 policyholders with 7,285 in claim and receiving benefits.

Analysis

The Health Branch requests an up to 24-month extension of the current TPA contract with illumifin. Extending the current LTC TPA contract for up to 24 months will enable CalPERS to successfully implement a TPA solicitation.

LTC Solicitation and Competitive Negotiation Approach

Program is currently working with the Operations Support Services Division (OSSD) and the Legal Office on the solicitation approach utilizing a competitive negotiation process in accordance with Gov. Code sections 21663 and 6611.

A competitive negotiation process permits the consideration of price, technical experience, management, or other factors in selecting the most cost-effective proposal. The process includes negotiations with the most qualified proposers during which performance, technical standards, or other criteria may be discussed to secure proposals most advantageous to CalPERS.

Solicitation Structure

The proposers will be required to submit an offer, providing evidence of their ability to meet solicitation requirements including, but not limited to:

- **Qualifications Requirement:** Proposers must demonstrate that they meet specified minimum qualifications.
- **Technical Requirements:** Proposers must describe their services, capabilities, management, and staffing plans and agree to contract provisions desired by

CalPERS. Within CalPERS desired contract provisions, there would be core, non-negotiable, and negotiable provisions.

- **Financial Requirements:** Proposers must include third-party administrative costs to perform the services for the duration of the contract.

Included for reference are the Minimum Qualifications (Attachment 1), Solicitation and Proposal Evaluation Process (Attachment 2), and Proposal Evaluation Sheet (Attachment 3).

Contract Term

If a new TPA is awarded, there will be an up to two-year transition and a five-year standard term contract that would begin no later than January 1, 2027. If the incumbent is awarded the contract, there would be no transition, and the contract would be a five-year standard term contract to start no later than January 1, 2027.

Budget and Fiscal Impacts

A two-year extension would lengthen the existing contract term from December 31, 2024, to December 31, 2026. The two-year contract extension amount, subject to negotiation, is estimated to be \$14 million in 2025 and \$13.5 million in 2026 for a total increase of \$27.5 million for the two-year extension.

Benefits and Risks

Benefits

1. Extending the current LTC TPA contract for up to 24 months will enable CalPERS to implement the contractually required Benefit Increase Option in 2025 with minimal impact to policyholders resulting from a solicitation.
2. Implementing an up to 24-month contract extension would enable CalPERS to continue to provide the services to the current policyholders with minimal customer abrasion, confusion, and disruption.
3. Extending the contract reduces solicitation and transition disruptions.

Risks

1. If the current LTC TPA contract is not extended for up to 24 months, the CalPERS Program runs the risk of not being able to complete a solicitation and possible transition to a new vendor.
2. The CalPERS LTC Program runs the risk of not complying with policyholders' Evidence of Coverage if the 2025 BIO is not provided.

Attachments

Attachment 1 – Draft Minimum Qualifications

Attachment 2 – Draft Proposal Evaluation Process

Attachment 3 – Draft Proposal Evaluation Sheet

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