

**Managed Risk Medical Insurance Board
July 7, 2010, Public Session**

Board Members Present: Cliff Allenby (Chairman)
Areta Crowell, Ph.D.
Richard Figueroa
Sophia Chang, MD, MPH

Ex Officio Members Present: Katie Marcellus, representing the Secretary of the
California Health and Human Services Agency
Jack Campana, Chairman of the Healthy Families
Advisory Panel
Ed Heidig, representing the Business, Transportation
and Housing Agency

Staff Present: Lesley Cummings, Executive Director;
Janette Casillas, Chief Deputy Director
Laura Rosenthal, Chief Counsel;
Shelley Rouillard, Deputy Director for Benefits
and Quality Monitoring;
Teresa Krum, Deputy Director for Administration
Division;
Jeanie Esajian, Deputy Director Legislative and
External Affairs;
Ernesto Sanchez, Deputy Director Eligibility,
Enrollment & Marketing Division;
Seth Brunner, Senior Staff Counsel;
John Symkowick, Legislative and
External Affairs;
Loressa Hon, Manager in the Administration Division;
Lilia Coleman, Policy & Operations Manager,
Benefits and Quality Monitoring Division;
Anjonette Dillard, Manager in the Eligibility,
Enrollment, and Marketing Division;
Juanita Vaca, Research Analyst II;
Muhammad Nawaz, Manager in the Benefits and
Quality Monitoring Division;
Maria Angel, Executive Assistant to the
Board and the Executive Director; and
Monica Martinez, Board Assistant.

Chairman Allenby called the meeting to order at 10:01 a.m. The Board went into Executive Session. It reconvened for public items at 11:05 a.m.

**REVIEW AND APPROVAL OF MINUTES OF JUNE 16, 2010 AND JUNE 30, 2010
PUBLIC SESSION**

Chairman Allenby indicated that approval of the public minutes would be put over to the next meeting.

**FEDERAL BUDGET, LEGISLATION AND EXECUTIVE BRANCH ACTIVITY
(INCLUDING HEALTHCARE REFORM, ECONOMIC STIMULUS & BUDGET)**

HIGH RISK POOL

UPDATE

Lesley Cummings said staff have two significant items to bring to the Board for information today: 1) The response to the federal solicitation that the Governor's Office forwarded to the federal government yesterday; and 2) the vendor solicitation document that will be issued after the meeting and posted on the MRMIB website to obtain contractors to work with MRMIB to implement the high risk pool program.

The President signed the Patient Protection and Affordable Care Act (the "Act") on March 23, 2010, that authorizes the Federal Department of Health and Human Services to establish a temporary high risk health insurance pool program through December 31, 2013. The Act states that the federal government can operate the pool itself or it can contract with a state to do so. Secretary Sebelius sent a letter to all states saying that it was her preference that the states run the pool, and asked for a letter from each state saying whether or not it would be willing to do so. On April 29, Governor Arnold Schwarzenegger sent a letter to that effect to Secretary Sebelius. Department of Health and Human Services (DHHS) then released a solicitation for states that were planning to operate these programs themselves. DHHS also issued a model contract, which has been the subject of conversation and modification between states and the federal government. It is not completed but has gone through several iterations. On June 29, the Governor signed legislation giving this Board the authority to operate the federal temporary high risk pool in California. The next steps are to find some partners with which to operate the program.

Ms. Cummings indicated that she would provide highlights of the response to the federal solicitation that the Governor's office sent to the federal DHHS government yesterday. The federal government has already asked the state for a meeting Friday at 9:30 a.m. to review the state's proposal to operate the federal temporary high risk pool, which is now called the Pre-Existing Condition Insurance Plan (PCIP). Dr. Chang asked if it would be called the California PCIP. Dr. Chang asked Janette Casillas to provide an overview of the vendor solicitation document. Following Mrs. Casillas' overview, Ernesto Sanchez provided a summary of the administrative vendor component of the document. Next, Shelley Rouillard provided an overview of the third party administrator portion of the solicitation, which includes of all the other services the Board will need. The Board is not

using the structure that it has used for the last 20 years of contracting with managed care plans. Rather, it will use a self-insured TPA approach. This is new territory for the organization and staff deserves much credit for learning as much about it as possible in the last few weeks. Staff and Deborah Kelch, of Kelch and Associates, have done incredible work on this project. Besides the consulting resources of Deborah and actuarial resources from PriceWaterhouseCoopers, and a very generous offer from the Agency and the Governor's Office for additional support, it has been the MRMIB staff that did the work and should be congratulated for stepping up. Ten people were in the office on Monday (a State holiday) going over the vendor solicitation. It has been an incredible effort, an incredible team effort. And everyone deserves a crown of laurel leaves. There is a lot of overlap between the solicitation response and the vendor solicitation, so the presentation of the design issues during the discussion of the federal solicitation response will be brief.

Chairman Allenby stated that if the audience had comments, he would like to take them during logical breaks, to the extent possible. However, if someone has a question or needs clarification, it may be appropriate to ask at that time.

Mr. Figueroa also asked if there would be a vendor conference. Ms. Cummings replied that there would be and indicated that Mrs. Casillas would be reviewing the schedule for the vendor solicitation.

The document that the Governor's office submitted to the federal government yesterday lays out, with as much detail as is possible given the vendor solicitation now underway, how California intends to operate the federal temporary high risk pool. It notes that California may wish to modify its response depending on the results of the vendor solicitation contract negotiations. It indicates that MRMIB is conducting vendor solicitations to purchase administrative vendor services and an array of services under a self insured TPA, including claims payment, PPO network services, pharmacy benefit management services and utilization review services. These will be discussed in greater detail later in the meeting. The document indicates that MRMIB intends to maintain separate administrative vendors for the current state high risk pool and the federal pool.

It explains the eligibility criteria for the program, criteria previously discussed with the Board. The criteria include being a resident of California, being a citizen of the United States or lawfully present, not having had credible coverage for six months, and being able to demonstrate medical uninsurability, either by presenting evidence either of a denial of coverage from an insurer or the offer of coverage at a rate that exceeds the rate for the PPO product in MRMIP.

Coverage and benefits are as discussed at the Board's last meeting: a \$1,500 annual deductible; a separate \$500 deductible for brand-name drugs; 15 percent co-insurance; no co-payments for preventive services (which are not subject to a deductible); and an out-of-pocket maximum of \$2,500. This is a more generous design than the federal government has announced for the federal fall-back program; rates for the federal fall back program are not yet available. The document describes how California will set premiums and standard risk rates, an approach completely consistent with what Mr. Davidson of PriceWaterhouseCoopers presented to the Board at the June 16 Board meeting.

The document describes California's proposed appeals process, which will have at least two levels of review. The first will be at the vendor level, and the second will be an administrative hearing. Also included is a commitment to have an independent medical review process built into the appeals process. Regarding the application document for the program, the document indicates that initially California will develop a supplement to the applications for the existing state program. This supplement will pose questions unique to the federal program regarding eligibility. The document indicates that the administrative vendor will have to use and screen a mail-in application and any other application methods or processes specified by MRMIB. The purpose of this language is to allow MRMIB to move an electronic application in the future, if doing so is feasible. Federal health care reform encourages the use of electronic applications and staff want the option to implement such an approach after there has been time to assess what the resources and time required would be to do so.

Another section describes customer service and provider technical support, billing and collection, utilization and care management. Staff will discuss these elements under the vendor solicitation item. Regarding claims payment, the document indicates that California seeks at least three months of revenue in advance to pay claims; this proposal will require some discussion. The response states that the administrative vendor will develop the specifics of an outreach program, but that it will, at minimum, include making fee payments to agents and brokers for successful enrollments.

In the response California commits to keeping administrative costs under 10 percent of total program revenues, an amount equal to \$127 million. It includes tables that estimate administrative and planned costs. This is based off the work that Mr. Davidson of PwC presented to the Board several meetings ago. It assumes the mid-range enrollment estimate Mr. Davidson estimated after his review of adjusted claims costs for MRMIP and GIP, and his estimate of revenue from subscriber premiums. The document indicates that California would like to use a budgeting approach in which once enrollment occurs, future costs of medical care are reserved for the remainder of the program including any incurred but not reported claims. The maintenance of effort requirement California will provide is discussed in Table 3. MRMIP funding consists of premiums paid by subscribers, appropriated Proposition 99 funds and a fluctuating amount of fines and penalties that result from the Department of Managed Health Care collecting penalties from plans under certain circumstances. The solicitation response states that California is committing to maintain \$31.8 million in Proposition 99 revenues.

Chairman Allenby asked if there were any questions or comments from the Board. Hearing none, he asked if there were any questions or comments from the audience. There were none.

California's Response to the Federal Solicitation for State Proposals to Operate Qualified High Risk Pools can be found at:

http://www.mrmib.ca.gov/MRMIB/Agenda_Minutes_070710/Agenda_Item_4.a.i.pdf

VENDOR SOLICITATIONS

Vendor Solicitation Overview

Janette Casillas informed the Board that she would provide an overview of the vendor solicitation document and then asked Ernesto Sanchez to review the administrative vendor portion of the solicitation (Part 1) and next Shelley Rouillard to review the third party administrator (TPA) portion (Part 2). Following the review of the entire document, staff intend, presuming the Board has no objections, to release it today. The document seeks proposals from bidders to serve as vendors for the new Pre-existing Condition Insurance Program (PCIP), an acronym for the temporary federal high risk pool. This program, 100 percent federally funded, is a temporary program to provide healthcare coverage to persons with pre-existing conditions as a transition to the big health care reforms that will take effect in January of 2014.

As previously noted, the vendor solicitation seeks proposals to be submitted in two parts: the administrative vendor (Part 1); and the TPA component (Part 2). Potential contractors will be considered as follows: Either two separate vendors that each assume responsibilities for the administrative vendor or TPA part, or one vendor that will be responsible for both components. MRMIB will not, however, contract with any more than a maximum of two vendors.

Chairman Allenby noted that whoever the vendor might be, it would clearly be subcontracting with various other entities, including provider networks and other organizations. Mrs. Casillas concurred and indicated that the solicitation makes it very clear that whomever MRMIB is contracting with, to the extent that it uses subcontractors, the entity contracting with MRMIB will be held accountable for all services contracted for, and the contract will include performance standards and liquidated damages for non-performance.

Mrs. Casillas pointed out that the law does not require MRMIB to select the lowest price proposal. Rather, MRMIB's selection is to be based on the Board's assessment of the best overall value to the state. The Board's determination of which proposal(s) provide the best overall value is one made at the sole discretion of the Board and is final.

Solicitation timelines are very aggressive. Page three of the document shows the proposed schedule. The goal is to have subscriber applications available sometime in August, with coverage beginning sometime in September. The schedule is being provided so that bidders are aware of the goals. It is for information and planning purposes and the goals may change as the process moves forward. Based on the schedule the solicitation will be released today and be posted on the MRMIB website. Individuals can download it from the website or take hard copies. MRMIB will also make an e-version available through the Department of General Services. On July 12, MRMIB will hold an in-person conference for proposers, something which will be addressed in more detail later in the presentation. On July 15, MRMIB will post on its website the questions and answers (Q&A's) received from the bidders' conference and later-received questions that staff consider relevant and significant. Responses to the solicitation are due to MRMIB on July 21. Responses must be hand-delivered by noon. If they are

postmarked July 21, but are not in MRMIB's possession at noon, they will not be accepted. No proposals will be accepted beyond 12 noon on July 21 noon. Between July 22 and August 4, staff will be performing an evaluation of the proposals, and will conduct follow-up meetings with bidders to obtain clarifications on what the bidders proposed. On August 5, staff anticipates presenting to the Board a recommendation on which proposals represent the best value to the state. If the Board agrees with staffs' recommendations, the Board will direct staff to attempt to negotiate contract terms with the recommended company or companies that the board is initially designating for this purpose. As noted above, MRMIB anticipates having applications available to potential subscribers in August. MRMIB already maintains an e-mail box on its website which allows those interested in receiving an application to leave their names and addresses. And, if all goes as planned, MRMIB will be offering coverage sometime during September.

The general provisions of this solicitation rely on some very important, relevant documents that are identified on page three of the solicitation. They are: 1) Section 1101 of the (Federal) Affordable Care Act; 2) Senate Bill 227 and Assembly Bill 1887, the two state statutes providing MRMIB authority to implement PCIP; 3) the federal solicitation for state proposals to operate a qualified high risk pool; and 4) the federal model contract for states to operate a qualified high risk pool. The solicitation outlines anticipated services with the emphasis on "anticipated." As this process moves forward, the vendor/vendors will have to, at a minimum, provide all services that are required by CMS. Thus, staff encourages all bidders to review and be well-versed in these source documents because not everything is included to every detail in the solicitation. All of these reference documents noted on page 3 will be available on the MRMIB website by the end of the day. They have not been included as part of the hard copy document in an effort to conserve paper.

Page four of the solicitation discusses PCIP funding. The Affordable Care Act authorized \$5 billion nationally for the length of the temporary program. Of this amount \$761 is allotted to California. The federal government has indicated that after two years, it will review state expenditures and reallocate unspent funds to states that have expended their allotments. As previously mentioned, the California PCIP will be entirely operated with federal fund and subscriber premiums. No state funds can be spent on this program.

The solicitation expresses a preference that the selected vendors have offices in California for the purposes of on-site reviews, audits, meetings, and collaborations with MRMIB. However, this is not a requirement because MRMIB would want to review a bid from a very good company even if it did not have offices in California.

The vendor conference will be held on July 12, at the Sacramento City Hall Auditorium. Staff will be present to review the solicitation and answer questions from interested parties and potential vendors. The first session will go from 10:00 a.m. to noon, and will focus on the administrative vendor portion of the solicitation. The conference will reconvene from 2:00 p.m. to 4:00 p.m., when it will focus specifically on matters related to the third-party administrator component. Questions and answers coming out of the bidders' conference will be documented, along with any others that are submitted before or after the conference. MRMIB staff will make best efforts to have all the Q&A's up on the MRMIB website by July 15.

In developing their responses to the solicitation, MRMIB hopes that all potential bidders will be creative. MRMIB staff does not believe it necessarily has all the answers, is aware of the best technologies, or is familiar with the best lessons learned, and the best standards that have been developed. Accordingly, staff hopes that bidders will suggest improvements to what is being sought in the solicitation for program administration, suggest service levels that enhance the quality and effectiveness, and advance efficiencies that would improve the program. A bidder should identify and inform MRMIB of any functions or services not identified in the solicitation, that it believes would be desirable or benefit the program. Mrs. Casillas indicated that she is the MRMIB point of contact for all inquiries associated with the solicitation.

A bidder must submit ten bound copies of its complete proposal by the deadline discussed above. In addition to the paper copies, MRMIB is requiring that bidders also submit an E-version. The E-version address is detailed on page six of the solicitation. It is: PCIP_proposal@mrmib.ca.gov. A complete proposal shall not be more than 150 one-sided pages, exclusive of attachments, if a bidder is competing for only one part. If a bidder is competing for both parts one and two, then no more than 300 one-sided pages can be submitted, exclusive of attachments.

Moving on to page five of the solicitation, staff wants to ensure that potential bidders know that materials submitted by them will be kept confidential to the extent provided by law. Submission of a response to the solicitation signifies the bidder's commitment to negotiate and properly respond throughout the course of negotiations to meet a goal to produce and execute a contract by September 1, a date that is acknowledged as very aggressive. Also noted is that there is no reimbursement for costs associated with the preparation, submission or requested clarification of any proposal. And, as always, MRMIB reserves the right to negotiate terms and conditions of the contract which may differ from the terms of the solicitation.

The MRMIB contracting process is clearly laid out on pages six, seven and part of eight. However, Mrs. Casillas indicated that she would describe the process for those who are not familiar with the way MRMIB conduct solicitations. MRMIB's enabling statutes exempt the Board from all provisions of state law related to competitive bidding. MRMIB is committed to ensuring a fair, open and a rigorous competition for the award of the contracts and will use a competitive negotiation process to select the vendors for this program. The competitive negotiation process is not a request for proposal. Instead, it is a dynamic, competitive process through which MRMIB can evaluate and test, through a negotiation process, the strengths and weaknesses of a company, a vendor or an administrator and their proposals, and make a final selection based on, the overall best value for the state. The goal of the process is to negotiate the maximum levels of services available for a competitive price. As discussed earlier, all bidders are encouraged to offer the best benefit for satisfying the state's desired outcomes and meeting federal requirements including proposals for best practices, and incorporation of technologies or business solutions that MRMIB has not identified. The state reserves the right to accept proposals as submitted. The state also reserves the right to reject a part of a proposal or all of a proposal, and the state also reserves the right to reject all proposals. Proposed vendors may be asked to enter into negotiations with MRMIB to discuss and

provide further information on any business practice, or technological or business solutions proposed by the vendor or the state, changes in proposed service levels and/or price, and also improvements to the vendor-submitted proposal. MRMIB is the sole judge of the proposed methods for achieving the program's desired outcomes.

The TPA and AV contracts will contain performance standards and liquidated damages for non-performance. MRMIB staff will monitor and report to the Board during its public meetings on a monthly basis, and request that the executive or senior management from each of the vendors, if there are two, or from the vendor if there is one, be able to respond to the Board publicly if there are any questions relative to performance. As noted earlier, the prospective contractors may subcontract with other entities. However, the contractor that the Board selects will be held accountable for all service levels, all performance standards and for all services that are contracting for. The selected vendor for the AV services and the TPA may be expected to enter into a letter of intent concerning the implementation of PCIP pending the execution of contracts.

Staff anticipates that the initial designation of recommended vendors or for focused contract negotiations will be made at the August 5 Board meeting. Any contract with a vendor or vendors will be contingent upon DHHS' approval of California's state's proposal to operate a qualified high risk pool in response to the federal solicitation and also the execution of a contract between DHHS and MRMIB to operate this pool. Contract terms will be defined by MRMIB consistent with state and federal laws and the requirements of the California contract with the federal government and MRMIB's operation of PCIP.

The contract period, again, is consistent with the contract between MRMIB and DHHS. It will include a start-up period from a date to be determined until December 31, 2010. Thereafter, it is a year-by-year contract, a calendar year, as well as the benefit year, which follows a calendar year concept.

Mrs. Casillas concluded her overview by noting that Ms. Cummings has already thanked everyone on the team who has worked very hard on this project. She also wanted to take the opportunity to thank Ms. Cummings for her leadership in the effort.

Part 1: Administrative Vendor (AV) Service

Ernesto Sanchez then reviewed Part 1 of the solicitation that deals with administrative vendor services. MRMIB has experience in contracting for administrative vendor services and has an established model for seeking proposals that requires much detail. Because of the aggressive time frame of this project, staff had to make some revisions to narrow the requirements while retaining all necessary information to fully evaluate proposals, and ensure that MRMIB can successfully implement the AV portion of the project. This is obviously a balancing act. MRMIB staff have worked quickly with consultant resources and stitched this together.

Mr. Sanchez then walked the Board through Part 1 of the solicitation. He reviewed the core list of services that MRMIB seeks to purchase (Section A). These consist of services staff have previously discussed with the Board such as processing of applications, imaging and screening of applications, moving applications over to the state high risk

pool, operating telephone call centers with appropriately trained people, developing and maintaining the administrative data systems and providing a process by which to transmit program data. Additionally, the AV would be coordinating new functions with the TPA, such as seamless transfers of subscriber concerns regarding benefits and health care services and establishing a link so that subscribers can have access to the type of network information service available in the Healthy Families Program. Another new requirement for the AV is that it administer an independent external review process for medical necessity determinations. Staff placed this responsibility with the AV so that there is independence from decisions made by the TPA or its subcontractors..

Next Mr. Sanchez reviewed the requirements of the administrative vendor fact sheet, which provides an overview of information needed from the organization bidding on the administrative vendor services (Section B). The fact sheet requests various information elements from bidders that include: 1) a proposal overview and summary, no longer than three pages; 2) basic organizational information and background on core businesses, their ownership and organizational structure; 3) a financial stability description of the organization; 4) a subsidiary relationships description, 5) an organizational experience and qualification description; 6) an organizational management and staffing description which identifies the number of staff who will be working on PCIP and provides an organization chart of the management team; 7) subcontractor descriptions; 8) identification of the site location where the AV will deliver services; 9) description of litigation history; 10) description of bi-cultural and bilingual communication capacity; 11) proposed method of conducting mail operations and management services; and 12) proposed methods of operating and managing services.

Mr. Sanchez went on to review Section C of the proposal which concern the details of what bidders must provide in their response. This requires bidders to describe how it will provide the services MRMIB seeks, consistent with the federal requirements for PCIP. The proposal must include a schedule and work plan of specified elements. Bidders are advised that MRMIB will immediately begin meeting with the vendors and will require the bidder to submit an implementation plan to show how the program would be operational by the dates outlined.

Mr. Sanchez then reviewed each section of Section C, Proposal Details. These were:

- A. Schedule
- B. Personnel
- C. Facilities Plan
- D. Program Data Systems Plan
- E. Hardware Acquisition and Installation
- F. Customer Service (including outreach plan)
- G. Systems and Testing Plan
- H. TPA Coordination
- I. Transition
- J. Security, Disaster Recovery & Contingency Plan
- K. Materials Development and Production
- L. Procedures Development Plan
- M. Audit Plan

- N. Schedule: Key Elements
- O. Progress Reporting System
- P. Reporting
- Q. Implementation and Account Management
- R. Proposed Pricing

Chairman Allenby asked if there were any questions or comments.

Dr. Chang asked that when Mr. Sanchez was referring to external review, if he meant external review of claims. Shelley Rouillard replied that it refers to an external review of medical necessity review and denials of care. Staff's view is that the external review should be located in the AV contract rather than the TPA contract in the interest of having an independent review. Dr. Chang pointed out that if the Board selects one vendor to administer both the AV and the TPA services, staff will have to develop a different solution. Ms. Cummings concurred.

Chairman Allenby asked if there were any questions or comments from the audience.

Linda Leu of Health Access asked how the organization could have public input into the marketing and outreach process that is going to be contracted with the administrative vendor. She also asked how marketing and outreach would be done prior to the signing of the administrative vendor contract.

Mr. Sanchez replied that there has been some outreach going on already given the media attention to the program. Further, the MRMIB website provides update bulletins. Also, on the website, there is an e-mail box for persons to request an application so that they can receive one as soon as an application is available. MRMIB also will be reaching out through meetings with advocates it works with through Healthy Families staff will be attending the Covering Kids and Families meeting next week, and will provide an update on PCIP at that time.

Dr. Crowell asked Mr. Sanchez how many requests for applications have been received to date. Mr. Sanchez replied that a total of 1,800 requests for applications were received between June 29, the date the e-mail box was established, and close of business last night.

Ms. Cummings told Ms. Leu that not everything has been figured out yet. Staff is looking to the vendor responders to present ideas on outreach approaches. There is likely to be some sort of an outreach work group meeting in the future. However, there is no funding for outreach presently. Dr. Crowell emphasized that the Board is not allowed to spend state funds on the program.

Ms. Leu also asked if staff have taken a look at the 1,800 requests received to date to see what areas of the state they are coming from to determine where more outreach may be needed.

Mr. Sanchez said the requests range broadly from a variety of locations and some are simply seeking information. Many of the 1,800 people that have asked to receive an

application are still trying to determine program entry qualifications. As part of the automated response that goes out to people from the e-mail box, the federal rules are reiterated regarding eligibility. In reading some of the e-mails, it is clear that some of the 1,800 people already have existing coverage. So, staff just wants to make sure that people are receiving as much information as possible right now. A lot of the requests have come from Southern California, also Northern California and the Central Valley. Staff has not done an analysis of the e-mails yet. Ms. Cummings concurred and said staff has not yet had the opportunity to evaluate the e-mail inquiries.

Chairman Allenby asked if there were any other questions or comments. Hearing none, he asked Ms. Rouillard to present the third party administrator portion of the solicitation.

Part 2: Third Party Administrator (TPA) Services

Ms. Rouillard reiterated that MRMIB's history in purchasing health coverage has been to contract with licensed plans for services under a state regulatory framework. MRMIB relies on the state Department of Managed Health Care (DMHC) to enforce state requirements for services like network access, benefits, quality, and provider payments. However, for this contract MRMIB will be contracting for services under terms more like that of a self-insured employer group. MRMIB will be responsible for doing the things that health plans do under state law such as setting the criteria for provider networks and paying claims. It has been a challenge to develop the requirements and standards for this portion of the solicitation. However, MRMIB has been fortunate to have some resources to call upon. These include the federal solicitation, the federal model contract with the states, the federal solicitation for TPA services, a copy of the solicitation the County Medical Services Program (CMSP) used a few years back which they were kind enough to share, and ideas from those potential bidders who responded to MRMIB's request for information (RFI). Additional input came from MRMIB's actuaries, Mercer and PriceWaterhouseCoopers (PwC), who helped staff both in the framing of some of the questions, particularly around some of the pharmacy issues. PWC also provided staff with a sample solicitation for TPA services that a self-insured commercial client might use. Ms. Rouillard noted that she was also able to draw on her past experience working for a national PPO where she set up networks like the one being set up for PCIP.

Staff held a lot of internal meetings and consulted frequently with the consultants in deciding how to pull resources to develop MRMIB's solicitation. The result is pretty complete document that covers all the elements needed to have a program that will effectively serve this population. MRMIB has a lot of flexibility through the negotiation process to establish requirements that may not be specifically articulated in this document. The general idea presented in the document is that MRMIB's contracts with one TPA vendor, who would then provide or subcontract with the other entities to provide etc. But the TPA would be responsible and accountable for all the services and activities, performance, etc., of any subcontracted entities.

Ms. Rouillard then provided a high level view of services that MRMIB is asking for as detailed beginning on page 29 of the solicitation. The TPA will provide program administration and claims adjudication, including operating procedures to prevent, detect, recover, etc., fraud, waste and abuse issues. It will report and analyze claims data,

provide provider network access and administration, and conduct provider credentialing of their network providers. It will provide a technical support center for health care and pharmacy providers, and at a minimum, will address provider claims disputes and resolution. The TPA will develop a fee schedule from which it will pay all medical and pharmacy services. The TPA will be responsible for development and distribution of subscriber materials, such as ID cards, certificates of coverage, and an evidence of coverage booklet describing PCIP benefits and how to obtain services through the plan. It will provide a 24/7 web-based access to benefit plan information. The TPA would be responsible for generating an explanation of benefits which, in an HMO world, is not necessary because it is all capitated. In this world, the TPA is paying claims and the individual would need to know what was covered, what amount was paid, what the cost sharing is and that sort of thing. It will coordinate customer service with the AV, particularly around benefits coverage issues raised by subscribers. The TPA will do first-level appeal of benefit decisions and denials and cooperate with the AV on any independent external review requests that members might have. The TPA will conduct utilization management, disease management, care management and operate a nurse advice line. The TPA will be responsible for managing pharmacy benefits, including having point of sale and mail order systems for prescription drugs. It will audit hospital bills of high-cost claims of more than \$50,000. And, it will develop a transition process to move subscribers into the benefit plans will be operated through the Exchange by January 2014.

Ms. Rouillard did not discuss in detail the Fact Sheet information requested in the next section of the solicitation, noting that it essentially is the same organizational information Mr. Sanchez described when he reviewed the Fact Sheet for Part 1.

The TPA vendor proposal detail begins on page 35 of the document. Similar to the AV side, the recommended bidder will be asked for an implementation plan and for their participation in regular meetings with MRMIB staff. Ms. Rouillard reviewed the requirements in each of the following sections of the proposal

- A. Provider Networks
- B. Utilization Management/Disease Management/Care Management
- C. Pharmacy Benefits Management
- D. D. Claims Processing
- E. E. Customer Service
- F. Quality Assurance
- G. Implementation
- H. Transition
- I. Reporting
- J. Pricing

Chairman Allenby asked if there were any questions or comments from the Board.

Mr. Figueroa asked if the Board was still planning on talking later about drug tiering on brand name drugs once the drug deductible is satisfied, Ms. Rouillard said that staff was seeking information on this issue from PBMs in the solicitation. Ms. Cummings said there are two different attitudes to take toward this issue. There are going to be people who

come into the program that have very high drug costs. Mercer mentioned that there are people who get shots that cost \$2,000 each and they get four of them in a month. Mr. Figueroa said that this was why he thought the Board and staff should tease the issue out. Ms. Cummings said that one can argue that helping persons with this type of catastrophic medical need is what this program is for. Mr. Figueroa agreed. On the other hand, this type of benefit, unstructured and low cost to the enrollee, could result in huge costs to the program that might limit the number of people who could be served. The Board and staff need to give the issue greater consideration and think how the benefit is best structured and whether there should be higher cost sharing under some circumstances.

Dr. Chang said there are a number of pharmacy benefit models, some of which her institution has published. One is the Diebold experiment for patients on chronic medications where they are actually given very little to no co-pay to encourage medication usage as opposed to using the ER and the hospital. She offered to discuss these models with staff.

Dr. Chang also stated that the Board is creating a challenge by trying to hybridize what is kind of the standard PPO model with the notion of a primary care provider. The Board also needs to be cautious and thoughtful about its discussions on implementing such an approach, especially, with regard to specialty referrals. Who is being referred to whom for what? Also, is the Board talking about a prior authorization process for access to certain specialties? There is a lot of devil in a lot of the details that needs to be thought through very carefully. The Board is trying to improve access and contain costs at the same time.

Ms. Cummings agreed, but also said staff and the Board are trying to go through this process quickly. In the world of doing things fast, asking vendors to do things that are different from their usual practices will slow the process down.

Dr. Chang concurred that it is a challenge. A point of tension in terms of how things are currently done versus how one might like them to be done. But it may be possible to make progress toward an ideal that is practicable in a short time. Ms. Cummings said staff understood.

Chairman Allenby asked if there were any other questions or comments.

Dr. Crowell said that she and the other Board members wanted to acknowledge the incredible amount of work and dedication from staff. The result shows a major payoff from the years that MRMIB has been providing coverage. The experience has culminated in the Board and staff being able to develop and implement a program of great importance to the state.

Dr. Crowell expressed great interest in being able to use data in the data warehouse not only for cost containment but also for improvement in health outcomes. The Board has found from other experiences that the variability of the use of diagnostic codes makes it very difficult to then interpret results that might come in terms of access and utilization. She requested staff, to the extent possible, to ensure that the vendor maintaining the warehouse impose a consistent set of diagnostic codes.

Ms. Cummings acknowledged Dr. Crowell's comments. She noted that analyzing diagnostic codes would likely be one of the earliest methods of assessing what the program's fiscal obligation will be for subscribers. Dr. Crowell agreed, and noted that subscribers with multiple diagnoses are another big high-cost grouping and the most complex to manage. Dr. Chang added that these multiple-diagnosis patients are the most common amongst those with chronic conditions. Dr. Crowell commented that it was especially the case for persons with behavioral health conditions. Studies for the 1115 waiver show that they are in the high-cost group. The small limit on the behavioral health benefits in the benefit plan designs distressing, but is tempered by the fact that it does not apply to persons with mental illness or serious emotional disturbance. Staff should include a footnote on this in program materials because people will likely not know of that option as they're looking into the program. These ideas may not fit with everybody's conception of cost containment, but they do fit with improving outcome – something with which the Board must be concerned. The Board has talked a lot about the process for various things, but there isn't much in the solicitation about how long it will take for a person to access services upon referral, the timeframe for an approval process. So, those are picky details in terms of the big job that has been done. Dr. Crowell again expressed appreciation for the huge amount of work that has been accomplished.

Ms. Rouillard thanked Dr. Crowell for reading the solicitation so carefully, too.

Mr. Figueroa also thanked staff and the contractors for their work and noted seeing many e-mails, some going on until the wee hours of the morning, and the middle of the night, and waking up and noting an e-mail at 3:30 a.m. It is truly a testament to the hard work of the staff, and noted that the Governor only signed the bills giving the Board authority to operate the program last Tuesday. The Board was able to meet in executive session the next day to give staff some direction. Then, a week later, both the federal application and the vendor solicitation documents have been completed.

Chairman Allenby asked if there were any comments or questions from the audience. There were none.

Ms. Cummings said it was staff's intention to post the solicitation to both the MRMIB and Department of General Services websites today. She also said Ms. Esajian would provide both the federal solicitation response and the vendor solicitation to Legislative policy and fiscal staff to inform them of MRMIB's progress.

The MRMIB Vendor Solicitation is located at:

http://www.mrmib.ca.gov/MRMIB/Agenda_Minutes_070710/Agenda_Item_4.a.ii.pdf

Chairman Allenby asked Ms. Cummings if there was any other business to bring before the Board. She said there was not. Chairman Allenby adjourned the meeting at 12:32 p.m.