

SERVICES CONTRACT RENEWAL OPTION/MODIFICATION

ITEM: 4-S-MOD **Agency Contact:** Anne Timmons
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DEPARTMENT/PROGRAM: Budget and Management (DBM)
Office of Personnel Services and Benefits
(OPSB)
Employee Benefits Division

CONTRACT ID: F10R7200001;
Consultant and Actuarial Services for State
Employee and Retiree Benefits Program
ADPICS No. F10B0400005

CONTRACT APPROVED: 11/15/2006 DBM BPW Agenda Item 1-S

CONTRACTOR: Gabriel, Roeder, Smith & Co. (GRS)
Irving, TX

CONTRACT DESCRIPTION: Provide consultant and actuarial services to support the administration of State Employee and Retiree Health Benefits Programs.

OPTION/MODIFICATION DESCRIPTION: Approval request to exercise the first of two one-year renewal options, to modify the contract language to reflect a reduction in the Fixed Actuarial Fee and a reduction in the hourly labor rate categories, and to change the manner in which payments are made.

TERM OF ORIGINAL CONTRACT: 11/15/2006 – 11/30/2009 (w/2 one-year renewal options)

TERM OF OPTION/MODIFICATION: 12/1/2009 – 11/30/2010

AMOUNT OF ORIGINAL CONTRACT: \$2,592,000 NTE (3 Years)

AMOUNT OF OPTION/MODIFICATION: \$1,261,265 NTE (Renewal Option)
(\$ 25,721) (Modification)
\$1,235,544 NTE Total (1 Year)

PRIOR MODIFICATIONS/OPTIONS: None

REVISED TOTAL CONTRACT AMOUNT: \$3,827,544 NTE

OVERALL PERCENT +/- (THIS MOD): -0.99%

ORIGINAL PROCUREMENT METHOD: Competitive Sealed Proposals

MBE PARTICIPATION: 27%

REQUESTING AGENCY REMARKS: Request for approval to continue the existing Contract by exercising the first of two one-year renewal options, to modify the payment terms, and to modify the manner in which payments are made. Invoices for the fixed-fee Actuarial Services will be submitted using the fixed labor rates and the period of time expended in performing those services, but payments will be made only up to the fixed-fee for Actuarial Services.

The original contract anticipated the renewal option amount to be \$872,000; however, this was not an accurate estimate of the actual consultant and actuarial services needed for this renewal option year. It is now known that the State Employee and Retiree Health Benefits Programs will require consultant services to assist with two Requests For Proposals (RFPs) during this option year: RFPs for Pharmaceutical Services and for Mental Health Services. The payment for the services necessary based on the addition of these two RFPs would bring the renewal option value up to \$1,347,000; however, because of the building work accomplished by Gabriel, Roeder, Smith & Co. (GRS) on the Data Warehouse and the Pharmacy Directorship, those specific services can be accomplished more efficiently and the renewal option amount is \$85,735 less than would have been needed to exercise this renewal option. In addition, GRS has agreed to reduce costs to the State in this first Option Year by foregoing the increase in the not to exceed total Actuarial Services fee by \$8,000, and in the rates for the three labor categories for Consulting Services. Applying these rates to projected hours for the option period, results in a projected savings of \$25,721 (approximately 2%).

The data warehouse built by GRS and their role in the Pharmacy Directorship are key to assisting the Office of Personnel Services and Benefits (OPSB) create a proactively monitor Program-wide costs and ensure transparency under the Pharmacy Benefit Management contract with Catalyst Rx. Through the data warehouse OPSB can monitor utilization trends, react timely to unusual activity, and model plan design changes for cost effectiveness. GRS also provides actuarial and consulting services to assist with trend projections and annual premium rate setting during the budget process. GRS assists in the development of OPSB's RFPs in order to get the best possible vendor for the best possible price. GRS also conducts the Annual Satisfaction Surveys, which are random sampling surveys of the State's benefit programs' participants to determine the overall satisfaction of the health, dental, prescription drug, behavioral health and flexible spending plans.

Exercising this renewal option is in the best interest of the State in terms of quality and continuity of service to ensure that deliverables are met and all projects in progress will have continued oversight in this coming year.

FUND SOURCE: 100% Reimbursable

APPROP. CODE: F10A0202

RESIDENT BUSINESS:

No

MD TAX CLEARANCE:

09-2946-0001

Board of Public Works Action - The above referenced Item was:

APPROVED

DISAPPROVED

DEFERRED

WITHDRAWN

WITH DISCUSSION

WITHOUT DISCUSSION