

SERVICES CONTRACT RENEWAL OPTION/MODIFICATION

ITEM: 3-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: F10B7200016;
Consultant and Actuarial Services for State
Employee and Retiree Benefits Program
ADPICS No. F10B1400002

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

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

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 second and final one-year renewal option and to modify the contract language to reflect a reduction in the Fixed Actuarial Fee and hourly labor rate categories, and to change the manner in which payments are made. (This modification will maintain the same rates as Option #1.)

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

TERM OF OPTION/MODIFICATION: 12/1/2010 – 11/30/2011

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

AMOUNT OF OPTION/MODIFICATION: \$1,198,491 NTE (Renewal Option)
(\$ 24,491) (Modification)
\$1,174,000 NTE Total (1 Year)

PRIOR MODIFICATIONS/OPTIONS: \$1,235,544 (See Attachment)

REVISED TOTAL CONTRACT AMOUNT: \$5,001,544

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

OVERALL PERCENT +/-: -1.98%

ORIGINAL PROCUREMENT METHOD: Competitive Sealed Proposals

MBE PARTICIPATION: 27%

REQUESTING AGENCY REMARKS: Request for approval to continue the existing Contract by exercising the second and final one-year renewal option, 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. In addition, the Contractor has agreed to lower labor rates than were stipulated in the original contract.

Gabriel, Roeder, Smith & Co. (GRS) has been an excellent resource and provided a high level of expertise for actuarial assistance. GRS has been integral to annual benefit program forecasting and budgeting, as well as premium development. GRS has provided expertise in eligibility and plan modeling allowing the State to anticipate the costs of various plan design or eligibility changes, such as adding coverage for domestic partners and calculating the associated imputed income applicable to that coverage. GRS has also provided timely assistance in costing fiscal notes during the legislative sessions. In FY2009, GRS assisted the Office of Personnel Services and Benefits (OPSB), Employee Benefits Division (EBD) with analysis for medical and dental procurements and continues to play a key role in the Pharmacy Benefit Management and the Behavioral Health RFPs, which will continue to be supported during this final renewal option period. GRS has provided several key analyses, such as the impact of the Federal Mental Health Parity Act, which was effective for the State's plans on July 1, 2010. GRS was integral in the completion of the application for the federal Early Retiree Reinsurance Program for which the State recently received approval from the Department of Health and Human Services.

GRS also plays an integral role in managing the annual Retiree Drug Subsidy reconciliation. GRS is now responsible for providing the Governmental Accounting Standards Board valuation that relates to reporting the State's liability in connection with providing other post-employment benefits to its retirees. They will also provide consulting and actuarial services to the new Employee and Retiree Benefits Sustainability Commission.

The data warehouse built by GRS and its role in the Pharmacy Directorship is key to assisting the Office of Personnel Services and Benefits (OPSB) by monitoring Program-wide costs and ensuring transparency under the Pharmacy Benefit Management contract with Catalyst Rx. The Pharmacy Directorship oversees the State's employer-sponsored self-funded prescription benefits plan.

Also, through the data warehouse, OPSB can monitor utilization trends, react timely to unusual activity, and model plan design changes for cost effectiveness and to minimize participant

impact. 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 (i.e. the contracts associated with the Employee and Retiree Health and Welfare Benefits Program) in order to obtain 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 with the medical, 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 the final renewal option year. GRS has agreed to continue providing services at the same rates as established for the first renewal option 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 resulted in a projected savings of \$24,491 (approximately 2%).

FUND SOURCE:	100% Reimbursable
APPROP. CODE:	F10A0202
RESIDENT BUSINESS:	No
MD TAX CLEARANCE:	10-5327-0101

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

APPROVED	DISAPPROVED	DEFERRED	WITHDRAWN
WITH DISCUSSION		WITHOUT DISCUSSION	