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QUESTIONS AND RESPONSES # 3
PROJECT NO. F10B0400010
Audit Services for State Employee and Retiree Benefits Program
June 7, 2010

Ladies/Gentlemen:

This List of Questions and Responses #3 is being issued to clarify certain information contained in the above named RFP. The statements and interpretations of contract requirements, which are stated in the following questions of potential offerors, are not binding on the State unless the State expressly amends the RFP. Nothing in the State's responses to these questions is to be construed as agreement to or acceptance by the State of any statement or interpretation on the part of the vendor asking the question as to what the contract does or does not require.

Please note that many vendors submitted questions that were significantly similar or requested the same information. Duplicate questions of this type are not repeated in this Q&A. Therefore, a vendor may not see its question reproduced here exactly. Please read through all the Q&As carefully before re-submitting a question. Thank you.

38. **QUESTION:** Section 3.3.2 – The RFP Section 3.3.2 requires audits to be completed, "...in accordance with the established time frame(s)." By established timeframes, do you mean the timeframes submitted in the offeror's proposal (Gantt chart submission) for the final audit report, the June 30th date for each audit cycle in the RFP Section 3.3.2.1 or some other timeframe(s)?

RESPONSE: As outlined in sections 3.3.2 through 3.3.2.2, the Contractor shall complete the required audits promptly and in accordance with the timeframe(s) provided on the Gantt chart submitted in response to Section 3.3.2.2. The Gantt chart must show that final audit reports for all audit(s) in the Service Category will be completed no later than June 30th of the year following the plan year subject to audit. The Contractor (Awardee(s)) will submit copies of the final Gantt charts for all audit cycles (years 1 – 5 of the Contract) to the Contract Manager within 15 business days after the effective date of the Contract and prior to the beginning of an audit of a TPA contractor.

39. **QUESTION:** Section 3.3.2 – The RFP Section 3.3.2 says the necessary Milestones for each Category are identified in the RFP Section 3.7. Section 3.7 addresses retainage and invoices. Did you mean to refer to RFP Section 3.3.2.2 which has the elements of the audit work schedules or something else?

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RESPONSE: §3.3.2.2 of the RFP should be the reference for milestones to be addressed when preparing the GANTT charts as part of the response to the technical proposal and amendment #1 has made that change. The milestones referenced in section 3.7.3 B will be the basis upon which progress payments will be made.

40. **QUESTION:** Section 3.3.2.2 – Since the contract is a fixed price contract, why does the State require projected man-hours of effort by job title and how will the submitted information be used? The information would be relevant for a labor hour or indefinite quantity contract but its use here is questionable and the concern is that an efficient and knowledgeable contractor could be downgraded in the evaluation if the committee felt the level of effort was inadequate. Moreover, during contract performance, failure to accumulate the projected hours, even if the audit work meets or exceeds standards, could potentially require the contractor to endure added expense just to satisfy a man-hour projection. Please note that Section 3.7 does not require an invoice to list man-hours and please note labor hours used are not performance criteria in the RFP. Will the State consider removing the man-hour submission requirement?

RESPONSE: The State will not remove the man-hour submission as this information is being requested for technical evaluation purposes. See RFP §5.2. An Offeror may explain its staffing plan and the man-hours devoted to the project in its proposal if an Offeror is concerned whether its plan and the identification of man hours by job title is subject to misunderstanding or confusion on the part of the evaluation committee and procurement officer.

41. **QUESTION:** Section 3.3.3 – Per RFP Section 3.3.3A, the next to last bullet requires the contractor to audit the “...TPA Contractor’s fraud and abuse detection program, including whether it conforms to industry standards.” Can the State specify the source for “industry standards”? Industry standards can sometimes be subjective or a matter of opinion.

RESPONSE: The State is relying on the prospective awardee/Contractor(s) to provide expertise in performing the audits and reviews such that the audits meet the purposes identified in RFP §3.2. Further, the Contractor(s) are expected, by virtue of their experience in performing audits of this type, to provide the State with a professional opinion as to whether the State’s TPAs are optimally servicing the States’ health benefits plan(s). This opinion would be based on the Contractor(s)’s knowledge of the industry and what it has seen and experienced to be effective edits or controls for such programs.

42. **QUESTION:** Section 3.3.3 – RFP Section 3.3.3B requires the Contractor to address whether the TPA Contractor’s administrative policies and procedures are “appropriate” for the State’s plans. Can the State establish a standard for what is “appropriate”? The word is somewhat ambiguous and without added information, we do not know what the standard is.

RESPONSE: Please refer to the response to Question #41.

43. **QUESTION:** Section 3.3.4 – RFP Section 3.3.4 requires a 100% claims analysis and, “Where appropriate to provide 95% confident with 3% precision in the claims analysis, a sampling methodology may be used in addition to the 100% electronic claims analysis.” We are not clear if a sample with a 95% confidence level and 3% precision is a requirement.

What is the expected methodology to judge whether the performance guarantees for claims financial accuracy and procedural accuracy are met?

RESPONSE: In the RFP, the State chose to use language such as “where appropriate,” and “may be used in addition to ...” in order to allow the audit team to use its judgment regarding the best approach to provide the minimum required confidence and precisions levels. The confidence and precisions levels identified are required. The necessary sampling methodology to reach those minimum levels is up to the offeror to identify and describe in its proposal. The 100% electronic review is required where the RFP notes that it is required.

44. **QUESTION:** Section 3.3.9 – Per RFP Section 3.3.9A, the first bullet requires the contractor to “Review the TPA Contractor’s internal audit controls to ensure proper controls are in place for improper billing, claims, processing, fraud, etc.” What is the State’s standard for “proper”?

RESPONSE: Please refer to the response to Question #41.

45. **QUESTION:** Section 3.3.9 – Per RFP Section 3.3.9A, the second bullet requires the contractor to verify “...that hospital bill audits have been conducted in accordance with the contractual requirements and industry standards”. Can the State specify the source for “industry standards”?

RESPONSE: Please refer to the response to Question #41.

46. **QUESTION:** Section 3.3.9 – Per RFP Section 3.3.9A, the third bullet requires that the contractor, “Verify that pharmacy audits (desk audits and on-site audits) are conducted in accordance with contractual requirements and industry standards”. Can the State specify the source for “industry standards”?

RESPONSE: Please refer to the response to Question #41.

47. **QUESTION:** Section 3.3.9 – Per RFP Section 3.3.9A, the fourth bullet requires that the contractor, “Verify appropriateness of the internal audit program(s), i.e. that it meets industry standards”. Can the State specify the source for “industry standards”?

RESPONSE: Please refer to the response to Question #41.

48. **QUESTION:** For Section 3.3.7 (Manufacturer Payment and Rebate Audits), is it the State’s expectation that the auditor will be allowed to take a representative sample of drug manufacturer contracts and rebatable claims to replicate the calculation process for rebates to determine accuracy of billing and payment or is the expectation that 100% of manufacturer’s contracts will have to be reviewed.

RESPONSE: It is the State’s desire that the auditor use their expertise and industry knowledge to perform a level of testing that will enable the auditor to show the State, that the PBM is conforming with the RFP requirement to pass through all manufacturer payments and rebates. Offerors should submit a proposal to the State that clearly details and describes how the Offeror will accomplish the requirements of this section of the

RFP. We anticipate that a sampling methodology will be used in connection with this specific audit requirement in light of the time frames involved; however the number of manufacturer agreements to be audited and the procedure for selecting such agreements should be identified in the proposal.

49. **QUESTION:** If the answer to the latter part of question 1 is yes, does the contract between the State of Maryland and Catalyst Rx allow for review of 100% of manufacturer contracts.

RESPONSE:

The contract between the State and its current PBM contractor (and the current RFP for PBM services under evaluation) requires transparency. In addition, the RFP currently available on the website under Section 3.4.1.7 provides for full disclosure of pricing, revenues, discounts, administrative fees, formulary or preferred drug list bonuses and fees, rebates, operations, drug switching/substitution, and formulary management information.

50. **QUESTION:** Can you provide the total fees paid to your current vendor in the past 3 years, and how this was broken down between Medical Benefit Plans, Dental Benefit Plans, Mental Health/Substance Abuse Benefit Plans, Prescription Drug Benefit Plan and Flexible Spending Accounts?

RESPONSE: For information concerning the contract value for each of the service categories on the current audit contract(s), you may review the Board of Public Works agenda item from the approval for those contracts online at:

<http://www.dsd.state.md.us/comar/comarhtml/21/21.07.01.12.htm>

A summary of the financial and technical rankings is included in the agenda item on pages 5 – 7; that summary includes the total fees for each service area.

The annual flat rate fees for each service category are not being produced. The Maryland Public Information Act (Md. Ann. Code, State Gov't Art., Title 10, subtitle 6, Part III) governs the production of records and information by the Department. The disclosure of confidential information is prohibited and willful violation of that prohibition is punishable by criminal penalty. State Gov't §§10-617(d) and 10-627. This level of detailed pricing information is confidential commercial information which, if disclosed, would damage the competitive position in the marketplace of the current contractor.

Remember proposals are due on June 7, 2010 no later than 2:00 p.m. If there are questions concerning this solicitation, please contact me via e-mail at jepstein@dbm.state.md.us or call me at (410) 260-7570 as soon as possible.

Date Issued: June 01, 2010

By

Joy Epstein
Procurement Officer