

February 17, 2011

REQUEST FOR PROPOSALS TO PROVIDE CONSULTING SERVICES



ISSUED BY THE:
COMMISSION ON GOVERNMENT
FORECASTING and ACCOUNTABILITY
703 Stratton Office Building
Springfield, Illinois 62706

Proposals due March 4, 2011
(No later than 4:30 p.m. CST)
REQUEST FOR PROPOSALS (RFP)
TO PROVIDE CONSULTING SERVICES
TO THE COMMISSION ON GOVERNMENT FORECASTING
AND ACCOUNTABILITY

Overview. The Commission on Government Forecasting and Accountability (the “CGFA”) is seeking proposals to provide the CGFA with consulting services.

The CGFA, which is a bipartisan, joint legislative commission that provides the Illinois General Assembly with information on various topics, is seeking the proposals based on the recommendation of its Commission members. At the Commission’s February 9, 2011 meeting, the Commission voted to authorize an outside independent consultant to conduct a review of the cost of healthcare coverage provided to State of Illinois retirees.

As indicated in the attached letter from the Department of Healthcare and Family Services, as of January 2011, there were approximately 81,900 retirees (and survivors) eligible for healthcare coverage through the State Employees Group Insurance Program. Following is a breakout of State Retirement Systems for which the Group Insurance Program provides healthcare benefits.

- General Assembly Retirement System
- Judges’ Retirement System
- State Employees’ Retirement system
- Teachers’ Retirement System
- State Universities Retirement System
- University of Illinois (Federal Pensioners) System

Of the approximately 81,900 retirees, approximately 27,527 are early retirees not covered by Medicare and 54,373 are covered by Medicare.

For healthcare coverage, retirees (and survivors) paid an average of \$10.22 per month for their own healthcare coverage in FY 2010 for a total of approximately \$12.0 million in healthcare premiums. The total cost/liability to the State of Illinois to provide healthcare to retirees in FY 2010 was approximately \$473 million.

In accordance with Illinois statute, not all retirees pay a premium for healthcare coverage. Those retired prior to January 1, 1998 receive premium-free healthcare coverage. Those who retired on or after January 1, 1998 receive a 5% credit toward the cost of healthcare coverage for each year of creditable service. Those with 20 or more years of service receive a 100% credit and do not make a premium contribution. As of January 2011, there were approximately 7,361 retirees (and survivors) who

retired after January 1, 1998 with less than 20 years of service and who were required to pay a premium for healthcare.

Details of this RFP, including the scope of services sought and information requested from respondents, follows. The CGFA reserves the right to reject any and all proposals, waive any irregularities of proposals, request clarification or additional information from any respondents and enter into any agreement as it may determine. This RFP is not subject to the provisions of the Illinois Procurement Code. This RFP is available online at <http://www.ilga.gov/commission/cgfa2006/Home.aspx> Questions about this RFP may be directed to Executive Director Dan R. Long, CGFA, (217) 782-5320, dlong@ilga.gov or Deputy Director Trevor J. Clatfelter, CGFA, (217) 782-5320, tclatfelter@ilga.gov

Proposals Due. Proposals must be received no later 4:30 p.m. (Central Standard Time) Friday, March 4, 2011. Ten copies, including one unbound copy, of each proposal shall be sent to the attention of Dan R. Long, Executive Director, Commission on Government Forecasting and Accountability, 703 Stratton Office Building, Springfield, Illinois 62706. If available, a copy of each proposal also may be submitted on a CD. Proposals shall address all information requested in this RFP and shall be, if possible, limited to 25 pages including any appendices.

Please notify the CGFA of your intent to respond to this RFP at your earliest convenience, via email to Dan Long at dlong@ilga.gov

Scope of Services and Contract Terms. As noted above, the CGFA is requesting proposals upon the recommendation of the Commission. The members of the Commission recommended that the CGFA hire an independent consultant to provide a study of the cost of Retiree Healthcare.

The Commission requires the consultant to conduct a review of what other states charge retired employees for healthcare coverage as well as what the private sector charges for retiree healthcare coverage. Consultant shall analyze and propose a multi-tiered premium structure in which current and future State of Illinois Retirees would contribute towards the cost of their group health insurance. The premium contribution should be means tested and based on the retiree's overall annual household income. Accordingly, the contribution structure should distinguish between those retirees who are enrolled in Medicare versus those who are not Medicare eligible.

The Department of Healthcare and Family Services, in the attached letter, has indicated the State of Illinois currently spends \$473 million annually on retiree healthcare of which approximately \$12.0 million is contributed by the retiree's toward this cost. The Commission specifically stated premium contributions should be based on income. The study should also include an examination of dependent coverage. According to DHFS, the cost of retiree dependent coverage totals \$150 million of which \$40 million is contributed by retirees.

The Commission asks that the consultant use any and all available data from CGFA and other sources to implement this study. Specifically, services to be provided to the CGFA by the consultant shall include, but are not limited to the following:

- If requested, meet in person or via telephone with staff of the CGFA and legislative staffs as needed.
- The CGFA expects to select a consultant by March 15, 2011 and under the terms of the contract expects to require completion of the consultant's report by May 2, 2011. The completion date may be revised based on discussions with the selected vendor, however, it is expected that the deliverable will be received by the Commission in time for anticipated legislative action.
- Contract terms will include certifications by the consultant as required by Illinois State law, including but not limited to, certifications regarding compliance with non-discrimination requirements; anti-bribery, conflicts of interest, revolving-door prohibition and prohibitions against bid-rigging and bid-rotating. Payment under the contract will be subject to appropriation of funds by the Illinois General Assembly. The contract must include the consultant's agreement not to accept other clients or work during the term of the CGFA contract which, in the reasonable opinion of CGFA, may create a material conflict of interest with the work under the CGFA contract.

Response to RFP. All responses to this RFP must respond to the following questions in full. Additional information may be included in responses within the page limits.

1. **Identification and ownership or firm.** Briefly describe your firm or organization, including the types of work or services provided; identify the headquarters of the firm and its location and any additional offices and their locations, with the total number of staffers at each location. Identify by name the owners, including beneficial owners, of the firm. Briefly describe the background of principal owners or leaders of the firm.
2. **Experience of Firm and Assigned Personnel.** Describe the work experience and background of the firm and key personnel who would be assigned to the CGFA contract (including the day-to-day contact person, supervisor and staff, with estimates of the percentage of each person's total work time that would be devoted to the CGFA contract over the period of contract inception through completion of the report. Provide particular detail on experience related to the cost of Retiree Healthcare in the public sector. State whether the firm and assigned personnel has had any experience relating to the study of retiree healthcare costs and the development of a method of contribution towards the cost based on income and describe any such experience in detail. Describe any experience relating to other states' retiree healthcare costs. State whether the firm and any assigned personnel has had prior experience with or is currently

servicing any governmental agency in the State of Illinois or any other private entity or organization with a substantial presence in the State of Illinois;’ and describe the nature and extent of such work.

3. **Potential Conflict of Interest.** State whether the firm believes any of its prior or current work would present a potential conflict of interest with the CGFA contract, and if so, whether the firm agrees to terminate any current work which, in the reasonable opinion of the CGFA, would present a potential conflict of interest with the CGFA contract. (Note, see contract terms regarding conflict of interest above.)
4. **Investigations/Litigation.** Indicate whether the firm or any of its principal owners are currently involved or have been involved within the past five years in any criminal or regulatory investigation or material litigation. Briefly describe any such investigation or litigation and any resolution.
5. **References.** Provide at least three references familiar with the work of primary assigned personnel, including contact names and telephone numbers.
6. **Work Approach.** Describe the approach the firm would take to fulfilling the CGFA contract, including identification of any critical information or factors that should be considered in complying with the provisions detailed in the scope of work section of this RFP.
7. **Fees.** Propose the fees you would charge if selected. Note, CGFA will not pay any separate charges for any expenses, including any travel, telephone or office or delivery charges. Fees may be proposed as a not-to-exceed lump sum or on an hourly or other basis; but if on an hourly or other basis, the firm must propose a maximum charge that will not be exceeded.

Evaluation of Proposals. CGFA will evaluate proposals on a variety of factors, including but not limited to the experience of the firm and assigned personnel. CGFA may ask some respondents to travel at their own expense for oral interviews in Springfield, Illinois or to be available for oral interviews by teleconference. CGFA reserves the right to negotiate best and final fees and contract terms and may reject all proposals.

DRL:dkb
attachment letter from DHFS

201 South Grand Avenue East
Springfield, Illinois 62763-0002

Telephone: (217) 785-0710
TTY: (800) 526-5812

February 16, 20110

Jeffrey M. Schoenberg
Assistant Majority Leader
218 State Capitol
Springfield, IL 62706

Re: Group Insurance Update

Dear Senator Schoenberg;

Per your request at the February 9th meeting of the Commission on Forecasting and Accountability, I am providing to you several updates to the information that you received in our original communication dated August 25, 2010. Additionally, I am providing you with an attachment that further details regarding the cost and amount of contributions for retirees, survivors, and their dependents covered under the program. If you have any further questions or would like to further discuss the information provided herein, please do not hesitate to contact me at your convenience.

Warmest regards,

Colm Brewer, Budget Chief
Office of Healthcare Purchasing
Healthcare and Family Services

Cc: District Office
820 Davis Street
Suite 102
Evanston, IL 60201

The State Employees Group Insurance Program provides a healthcare benefit to retirees and survivors of the General Assembly Retirement System (GARS), Judges Retirement System (JRS), State Employees Retirement System (SERS), State Universities Retirement System (SURS), and some annuitants of the Teachers' Retirement System (TRS).

As of January of 2011, 81,900 retirees and survivors were being provided coverage under the program. There are roughly 3,000 retirees covered under the aforementioned retirement systems that are not currently being covered under the program. Of these 81,900 retirees and survivors, 54,373 (66.4%) are covered by Medicare. The remaining 27,527 are not covered by Medicare. Of these 81,900 retirees and survivors, 54,523 (66.6%) are enrolled in the Quality Care Health Plan (QCHP). The remaining 27,377 are enrolled in one of the Managed Care Health Plans (MCHP). As of January of 2011, there were 32,813 dependents of retirees covered under the program. 18,456 of these dependents were covered under QCHP (14,357 in MCHP). 15,176 of these dependents were covered by Medicare (17,637 were non-Medicare).

Not all retirees pay a premium for healthcare coverage. Those who retired prior to January 1, 1998 receive premium free healthcare coverage. Those who retired on or after January 1, 1998 receive a 5% credit toward the cost of healthcare coverage for each year of creditable service. Those with 20 or more years of service receive a 100% credit and make not premium contribution. In January of 2011, there were 7,361 retirees (and survivors) who retired after January 1, 1998 with less than 20 years of service and were required to pay a premium for healthcare.

Not all retirees continue to reside in the State of Illinois after their separation from employment. As of February of 2011, the breakdown of the retiree population is as follows:

• QCHP Medicare In-State	31,893
• QCHP Medicare Out-of-State	9,468
• MCHP Medicare In-State	12,932
• MCHP Medicare Out-of-State	231
• QCHP Non-Medicare In-State	10,243
• QCHP Non-Medicare Out-of-State	3,039
• MCHP Non-Medicare In-State	14,422
• MCHP Non-Medicare Out-of-State	226

State Employees Group Insurance Program FY 2011 Retiree Costs - Health Plans

	FY 2011 Monthly Plan Cost	FY 2011 Monthly Member Contribution	FY 2011 Monthly State Cost	FY 2011 Enrollment	FY 2011 Annual State Cost
Quality Care Health Plan					
Medicare Retiree	\$ 332.38	\$ 10.09	\$ 322.29	41,267	\$ 159,600,852
Non-Medicare Retiree	907.04	14.43	892.61	13,196	141,346,327
Retiree One Dependent	793.13	197.72	595.41	4,826	34,481,387
Retiree Two Plus Dependent	988.63	231.83	756.80	1,206	10,952,444
Retiree Medicare Dependent	333.54	142.03	191.50	10,619	24,403,001
	<u>\$ 410,968,318</u>	<u>\$ 40,184,306</u>	<u>\$ 370,784,011</u>		<u>\$ 370,784,011</u>
Managed Care Health Plans					
Medicare Retiree	\$ 329.27	\$ 16.56	\$ 312.71	12,999	\$ 48,778,615
Non-Medicare Retiree	869.95	12.44	857.52	14,371	147,880,190
Retiree One Dependent	495.45	94.94	400.50	5,880	28,259,480
Retiree Two Plus Dependent	853.00	135.55	717.44	1,754	15,100,736
Retiree Medicare Dependent	334.14	89.64	244.49	4,544	13,331,763
	<u>\$ 272,519,690</u>	<u>\$ 19,168,906</u>	<u>\$ 253,350,783</u>		<u>\$ 253,350,783</u>
Total Medical	<u>\$ 683,488,007</u>	<u>\$ 59,353,213</u>			<u>\$ 624,134,795</u>