

Response to Request for Quotation: State of West Virginia Insurance Commission

Actuarial Review and Consulting Services for Health Insurance Rate Filings

December 15, 2010

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REGULATORY DIVISION
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Introduction

We are pleased to provide this proposal for actuarial services in response to the Request for Quotation (RFQ) issued by the West Virginia Offices of the Insurance Commissioner (OIC). We are confident you will see that Milliman consultants have the qualifications and experience to fulfill the requirements of this RFQ. We look forward to working with the OIC on this important engagement.

We have attached our response to the RFQ in the form that the Purchasing Division requires in Appendix A. The rest of this document provides additional information that we believe the OIC may find helpful in evaluating our response.

We believe that Milliman will bring a number of strengths and best practices to this project which distinguishes us from our competitors, such as:

- > **Milliman's actuarial research and data** are the industry leaders. Many insurers and health plans purchase our research to monitor their experience. The reputation of our research and data helps make our estimates accurate and credible. Some examples include:
 - Standard & Poor's announced on October 21, 2010 Healthcare Economic Indices that are based on the methodology and data behind Milliman's Health Cost Index™. Employers, providers, and other entities can use this index to protect against unexpected cost fluctuations.
 - The Health Cost Index™ was developed by the actuaries and staff in Milliman's Chesterbrook, PA office, measures actual and projected trends in the non-Medicare population, including utilization, as well as price levels.
 - Milliman's Health Cost Guidelines are the leading source of data to the health insurance industry. They represent the experience of over 21 million insured lives and the collective judgment of Milliman consultants. They have been updated annually for over 40 years.
- > Milliman requires an **internal peer review** and **quality assurance** that we believe is the most rigorous of any actuarial firm. Each work product and project file are subject to a formal pre-release peer review process. In addition, each office is subject to periodic post-release file audits to assure compliance with the process.
- > Milliman's **broad health insurance perspective** is unmatched. We consult to employers, providers, health plans, insurers, and state insurance departments. We have experience with individual insurance, group insurance, Medicare Supplement, Medicare Advantage, Medicaid and other products.

We have assisted our clients not just with the routine, but more often than not, tougher assignments, providing clarity and insight to complex and contentious issues. While some of these products and services are not the subject of this RFQ, this breadth gives us a good understanding of the market and these products can affect the individual and group products that are included.

We believe we bring **more experience** (local and nationally) than our competitors. Milliman's Chesterbrook office, which will be the lead office for the project, is large (100 employees) and has local and national experience. Milliman also brings the depth of our 50 offices that can provide experiences from other geographic areas and from experts on a variety of issues.

A. Qualifications

Any actuarial firm submitting a quotation in response to this Request for Quotation (RFQ) shall meet or exceed the minimum qualification set forth in this RFQ. Those quotations not meeting the mandatory specifications will be disqualified.

Milliman is highly qualified to provide the scope of services requested by OIC.

Milliman has stood at the forefront of the actuarial consulting profession practically since its beginning. In the late 1940s, renowned actuary and insurance industry veteran Wendell Milliman launched the first such consultancy in the Pacific Northwest. He was later joined by Stuart A. Robertson, and together they established Milliman & Robertson, Inc.—a truly visionary company that quickly developed into one of the nation's most influential actuarial consulting firms.

Early on, Milliman and Robertson created and nurtured a unique corporate culture that placed a high value on the independence of its consultants, both from the distractions of outside ownership and the bureaucratic impediments of more conventional business models. Independence, they believed, would promote groundbreaking and truly unbiased consulting work which, in turn, would attract clients looking for innovative solutions and unfettered professional advice. They also felt that such an unconventional and equitable working environment would help them recruit the best minds in the industry. Their experiment was a success and our reputation flourished.

Through the years, this dynamic model has left Milliman uniquely positioned to both accommodate and influence change in the markets we serve. Always aligned with the needs of our clients, we have expanded our practice areas, introduced a number of critical non-actuarial services, developed industry-leading tools, and evolved into a seamlessly global organization. Today, thanks to the vision of our founders and key contributions from succeeding generations of principals, Milliman remains a driving force in the industry we helped define more than sixty years ago.

Milliman is among the world's largest independent actuarial and consulting firms, with revenues of \$610 million in 2009, with 50 offices in key locations worldwide. Our staff of 2,400 people includes more than 1,100 qualified consultants and actuaries. We are owned and managed by approximately 300 principals—senior consultants whose selection is based on their technical, professional and business achievements.

Through consulting practices in healthcare, employee benefits, investment, life insurance and financial services, and property and casualty insurance, Milliman serves the full spectrum of business, financial, government, union, education, and nonprofit organizations. In addition to our consulting actuaries, Milliman's body of professionals includes numerous other specialists, ranging from clinicians to economists.

In the area of health insurance, Milliman consultants possess the necessary experience through our work with carriers (HMO, Blue Cross Blue Shield plans and commercial), employers and governmental agencies. We have assisted our clients in all areas of the health insurance market – Medicare, individual non-group, small group, large group and self-insured entities. We have assisted our clients in every aspect of the rating process – strategic design, data analysis, trend recognition, benefit design, regulatory filings, testimony in public hearings and litigation.

Milliman has served the regulatory function of many states and the Federal government by providing reviews and audits under various contracts. Milliman consultants have served on committees of the Society of Actuaries, American Academy of Actuaries, and National Association of Insurance Commissions that have created the very framework from which the entire health insurance market is run.

The key people in the project team are Frank Cestare, Bob Dobson and Jay Dunlap. Team member resumes are included in Appendix B. Each meets or exceeds each of OIC's specific minimum qualifications, as described below:

1. Each team member is a Fellow in the Society of Actuaries and is a member of the American Academy of Actuaries.
2. Each team member has at least 25 years experience in individual and group major medical insurance.
3. Each team member is knowledgeable of Actuarial Standard of Practice (ASOP) No. 8, which provides guidance with regard to the preparation of regulatory rate filings for health entities. We are also knowledgeable of other ASOPs which may be relevant to the project.
4. Each team member has extensive experience in the development of medical insurance rates and in the entire rate filing process. Bob Dobson has worked with over 10 different insurance departments assisting in all aspects of the rate review process. We also have experience in providing public testimony.

Milliman can provide references if requested.

Milliman has several standard processes that add significant value to our work. Milliman has a strong ethic of peer review that is employed in any project that is undertaken. This process requires a secondary review of the work performed, reports prepared, and overall project management. The reviewer must be a credentialed actuary with significant relevant experience, and is selected as someone familiar with the project, but who has not performed significant work on the specific project. This allows for impartial review and the opportunity for additional insights. The review is structured to identify any outstanding issues that were not addressed, to ensure that the information is presented in a logical and complete manner, and to ensure that the overall quality of the work meets Milliman's high standards. This process adds an additional level of security for our clients.

B. Conflict of Interest

The firm shall have no conflict of interest with regard to any carrier that is actively writing individual or group major medical plans in the West Virginia market. A qualified actuarial firm cannot be providing actuarial services for carriers that are making health filings in West Virginia and which the firm could be required to assist in review as part of this engagement.

Nationally, Milliman is engaged, or has been engaged, by many carriers. This includes a few carriers operating in the West Virginia market. Our experience with assisting a broad spectrum of carriers with all aspects of rate development and the rate filing process is a key value that we bring to this assignment.

In order to avoid conflicts of interest, we propose that we would not review any rate filings submitted by carriers that use Milliman consultants to assist with the filing. Milliman would focus on reviewing the rate filings of other carriers. The OIC internal staff would review rate filings where Milliman was involved in preparing the filing. The review would utilize the rate review manual that we would prepare, and we would be available to the staff to provide general guidance and direction.

C. Scope of Work

The firm awarded the contract as a result of this RFQ will assist the Insurance Commissioner and Director of Rates and Forms in reviewing health insurer filings for individual, group and association product offerings.

The scope work proposed by OIC falls into four distinct components, each discussed below.

1. The review shall include, but may not be limited to, analysis of trending, credibility, development factors, durational factors, geographical factors, loss development, loss ratios, rating bands and all other components of a rate filing. It is expected that the review will document the justification for the rate adjustment, concerns with factors used or selected, support of the factors, identify areas of concern or unjustified, documentation to support the indicated and requested rate levels, projected premium impact and projected premium impact to consumers. Review shall ensure all PPACA components are addressed and the rate filing is in compliance with PPACA regulations.

The RFQ does not specifically request a work plan, but we feel it would be helpful to provide the OIC with a high level description of how we would proceed with our evaluation.

The overall purpose of the request is to assist OIC in the day-to-day evaluation of rate requests and to build a foundation for long-term improvements to the overall rate filing review process and provide a basis for evaluating the reasonableness and justification of rates proposed by carriers. In addition, we would consider and incorporate the requirements of PPACA and the laws of the State of West Virginia.

Our approach to the overall evaluation includes identifying the components of a rate requirement for a given insurance product. The components are the same regardless of the market segment or the insuring carrier: (1) expected benefit costs for the plan design, (2) expenses to administer the product and (3) contribution to surplus or profit load. The overall task includes identifying these underlying factors in each market (individual, small group, large group, association, etc) and developing standardized filing and review requirements that ensure appropriate data is filed and that the reviews highlight these factors.

We propose to analyze all market segments using the general approach described below. The project would begin with an in person "kick-off" meeting to be scheduled as soon as possible after award of the contract. There are multiple purposes of this initial meeting, including:

- > Introduce Milliman and OIC team members
- > Gain understanding of the role of each Milliman and OIC team member
- > Reach agreement on conceptual overview of project
- > Develop proposed time schedule of interim tasks
- > Assign responsibilities for interim tasks

After the initial meeting, we foresee the following general steps to be completed:

- > Review current data required for filings in West Virginia
- > Review submitted rate filings for a variety of products, markets and carrier types
- > Review rate filing requirements in other states to identify best practices and establish benchmarks
- > Compare current filing requirements to those required under various phases of PPACA
- > Develop recommended minimum, mandatory data requirements for filings in each market
- > Identify a list of potential changes to filing requirements and their potential impact to current carrier submissions
- > Present recommendations to OIC staff for comments / approval
- > Revise recommendations as needed
- > Develop a communication to health carriers for comments, if necessary
- > Finalize requirements for rate filings
- > Reach agreement with OIC on standardized format for submission of filing requirements

We anticipate working closely with OIC team members throughout the process and suggest a weekly status conference call with the OIC team leader for the early part of the project. This work will form the basis for our day to day work reviewing rate filings, training staff and preparing reference materials, described below.

2. The firm will also provide monthly training sessions for the OIC policy and rate analyst staff. The objective of the training sessions is to bring actuarial "best practices" to the review processes of the staff. Training will be required on the factors

of the rate filing, benchmarks for the factors, trending factors, components of the medical loss ratio, how medical inflation should be addressed, the financial position of the carrier and the impact of mandated benefits. Training sessions should be structured to provide onsite training (Charleston, West Virginia) and web-based session when appropriate. Each monthly session will address specific topics, for example the components of the medical loss ratio, as well as use active pending filings in a case study format.

Milliman has developed a number of innovative rating models and rating tools for its clients. We have extensive experience with training client staff in the proper use of the models and tools. Some examples include the Milliman Health Cost Guidelines and Medical Underwriting Guidelines. Each team member has experience training actuarial and underwriting staff members in these products.

We believe that the broad experience we have acquired in training our health plan clients has made our training very effective with our clients, and will be similarly effective with the OIC staff.

3. As a product of the training services, the actuarial firm is to develop a manual of rate review guidelines for use by the OIC staff by the end of the first 6 months of the engagement. The manual should document the essential steps of the rate review process and establish benchmarks for the various components of rates by product line, providing the office with a reference guide that is specifically written with a rate analyst in mind. Statute and rules will continue to dictate review requirements and provide the framework for manual topics; however, the guide should go a step beyond to the level of detail necessary to improve an analyst's review of health insurers' filings. It should be a tool that can be used as a general checklist for the OIC's rate reviews as well as a training guide for future insurance and policy analyst.

We believe the requested training manual to be a logical outcome of the review and training process and will work with OIC to tailor a document that meets its needs and be in a format that can serve as a reference and be the basis for future updates. We have developed and /or reviewed rating manuals for a large number of health plans. This experience will be important to ensure that the rate filing review manual reflects the best practices throughout the industry.

4. The actuarial firm may provide other management consulting services and perform special reviews and/or analysis of health insurance and PPACA matters for the OIC. These additional services may include appearances by the actuary's personnel before judicial, legislative, and executive bodies, or others to respond to questions of an actuarial nature or to give reports. These services may also include the preparation of written reports concerning actuarial matters as deemed necessary by the OIC.

Milliman's breadth and depth of experience will allow us to provide any other actuarial consulting services the Commissioner may require. We are already working with many of our carrier clients on actuarial matters and strategies related the implementation of Federal Health Care Reform. We will be able to use our

nationwide experience to provide analysis and advice to assist the Commissioner in developing West Virginia solutions.

D. Firm Information

1. Name and address of the firm submitting the quotation along with the federal employer identification number of the vendor.

Name: Frank Cestare
Title: Principal and Consulting Actuary
Address: Milliman, Inc.
1550 Liberty Ridge Drive, Suite 200
Wayne, PA 19087
Email: frank.cestare@milliman.com
Telephone: (610) 975-8077
Facsimile: (610) 964-1304

Federal ID #: 91-0675-641

2. Date of registration to do business in the State of West Virginia. Foreign corporations and businesses do not need to register to do business in West Virginia to submit a quotation, but must do so before a contract can be issued.

Milliman is not currently registered to do business in West Virginia. We currently provide consulting services to West Virginia companies. If a registration is required before we can provide consulting services to the OIC, we are prepared to obtain such registration immediately in the event our proposal is accepted.

E. Bid Amount

The amount of the bid submitted by each potential vendor shall be a fixed hourly rate for services rendered. This rate shall be the same regardless of which partner or member performs the services and shall be sufficient to cover any and all incidental expenses. Out of pocket travel expenses shall be billed in accordance with the State of West Virginia's Travel Rules as prescribed by the Travel Management Unit, Purchasing Division.

Vendor Cost: \$ 390 per hour

We anticipate a total cost for the indicated scope of services to be in the range of \$175,000 - \$275,000 for the first year of the contract. The estimated cost is based on the estimated scope of work that will be requested by the OIC. While the RFQ provides a general overview of the scope, some specifics are still unknown such as the number of filings that would be reviewed, and descriptions of the "other management consulting services" that the OIC may request. The actual cost of the project will depend on the actual scope of work requested by OIC.

Other terms of the consulting relationship will be governed by a consulting services agreement, which we expect to discuss with the OIC if we are awarded the contract. The agreement will address provisions such as confidentiality, the use and distribution of materials, etc.

Please note that Milliman has proposals outstanding with several states to develop the same systems requested by OIC to effectively administer their rate review processes. The actuarial standards and principles as well as the requirements of PPACA will be the same or similar for all states. West Virginia has its own requirements, but we have a network of consultants working nationwide that will allow us to achieve efficiencies in researching best practices and developing workable processes. As a result, we believe we can perform the tasks OIC requires more efficiently and effectively than smaller firms, which will lead to fewer billed hours of service, and more importantly a higher quality work product for the OIC.

Appendices

Appendix A

Request for Quotation Response



State of West Virginia
 Department of Administration
 Purchasing Division
 2019 Washington Street East
 Post Office Box 50130
 Charleston, WV 25305-0130

Request for Quotation

RFQ NUMBER
INS11006

PAGE
1

ADDRESS CORRESPONDENCE TO ATTENTION OF
**SHELLY MURRAY
 304-558-8801**

VENDOR

RFQ COPY
TYPE NAME/ADDRESS HERE
 Milliman, Inc.
 1550 Liberty Ridge Drive
 Suite 200
 Wayne, PA 19087

SHIP TO

INSURANCE COMMISSION

 1124 SMITH STREET
 CHARLESTON, WV
 25305-0540 304-558-3707

DATE PRINTED	TERMS OF SALE	SHIP VIA	F.O.B.	FREIGHT TERMS
11/14/2010				

BID OPENING DATE: **12/16/2010** **BID OPENING TIME 01:30PM**

LINE	QUANTITY	UOP	CAT. NO.	ITEM NUMBER	UNIT PRICE	AMOUNT
0001	1	HR		946-12	\$390.00	\$175,000 - \$275,000
<p>THE WEST VIRGINIA PURCHASING DIVISION, FOR THE AGENCY, THE WEST VIRGINIA INSURANCE COMMISSION, IS SOLICITING BIDS FOR ACTUARIAL REVIEW AND CONSULTING SERVICES FOR HEALTH INSURANCE RATE FILINGS PER THE ATTACHED SPECIFICATIONS.</p> <p>TECHNICAL QUESTIONS MUST BE SUBMITTED IN WRITING TO SHELLY MURRAY IN THE WEST VIRGINIA PURCHASING DIVISION VIA MAIL AT THE ADDRESS SHOWN AT THE TOP OF THIS RFQ, VIA FAX AT 304-558-4115, OR VIA E-MAIL AT SHELLY.L.MURRAY@WV.GOV. DEADLINE FOR ALL TECHNICAL QUESTIONS IS 11/30/2010 AT THE CLOSE OF BUSINESS. ALL TECHNICAL QUESTIONS RECEIVED, IF ANY, WILL BE ADDRESSED BY ADDENDUM AFTER THE DEADLINE.</p> <p>ACTUARIAL SERVICES</p> <p>EXHIBIT 3</p> <p>LIFE OF CONTRACT: THIS CONTRACT BECOMES EFFECTIVE UPON AWARD AND EXTENDS FOR A PERIOD OF ONE (1) YEAR OR UNTIL SUCH "REASONABLE TIME" THEREAFTER AS IS NECESSARY TO OBTAIN A NEW CONTRACT OR RENEW THE ORIGINAL CONTRACT. THE "REASONABLE TIME" PERIOD SHALL NOT EXCEED TWELVE (12) MONTHS. DURING THIS "REASONABLE TIME" THE VENDOR MAY TERMINATE THIS CONTRACT FOR ANY REASON UPON GIVING THE DIRECTOR OF PURCHASING 30 DAYS WRITTEN NOTICE.</p>						

SEE REVERSE SIDE FOR TERMS AND CONDITIONS

SIGNATURE <i>Frank Costare</i>	TELEPHONE 610.975.8077	DATE 12.15.2010
TITLE <i>Principal, Consulting Actuary</i>	FEIN 91-0675641	ADDRESS CHANGES TO BE NOTED ABOVE

WHEN RESPONDING TO RFQ, INSERT NAME AND ADDRESS IN SPACE ABOVE LABELED 'VENDOR'



State of West Virginia
 Department of Administration
 Purchasing Division
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<p>UNLESS SPECIFIC PROVISIONS ARE STIPULATED ELSEWHERE IN THIS CONTRACT DOCUMENT, THE TERMS, CONDITIONS AND PRICING SET HEREIN ARE FIRM FOR THE LIFE OF THE CONTRACT.</p> <p>RENEWAL: THIS CONTRACT MAY BE RENEWED UPON THE MUTUAL WRITTEN CONSENT OF THE SPENDING UNIT AND VENDOR, SUBMITTED TO THE DIRECTOR OF PURCHASING THIRTY (30) DAYS PRIOR TO THE EXPIRATION DATE. SUCH RENEWAL SHALL BE IN ACCORDANCE WITH THE TERMS AND CONDITIONS OF THE ORIGINAL CONTRACT AND SHALL BE LIMITED TO TWO (2) ONE (1) YEAR PERIODS.</p> <p>CANCELLATION: THE DIRECTOR OF PURCHASING RESERVES THE RIGHT TO CANCEL THIS CONTRACT IMMEDIATELY UPON WRITTEN NOTICE TO THE VENDOR IF THE COMMODITIES AND/OR SERVICES SUPPLIED ARE OF AN INFERIOR QUALITY OR DO NOT CONFORM TO THE SPECIFICATIONS OF THE BID AND CONTRACT HEREIN.</p> <p>OPEN MARKET CLAUSE: THE DIRECTOR OF PURCHASING MAY AUTHORIZE A SPENDING UNIT TO PURCHASE ON THE OPEN MARKET, WITHOUT THE FILING OF A REQUISITION OR COST ESTIMATE, ITEMS SPECIFIED ON THIS CONTRACT FOR IMMEDIATE DELIVERY IN EMERGENCIES DUE TO UNFORESEEN CAUSES (INCLUDING BUT NOT LIMITED TO DELAYS IN TRANSPORTATION OR AN UNANTICIPATED INCREASE IN THE VOLUME OF WORK.)</p> <p>QUANTITIES: QUANTITIES LISTED IN THE REQUISITION ARE APPROXIMATIONS ONLY, BASED ON ESTIMATES SUPPLIED BY THE STATE SPENDING UNIT. IT IS UNDERSTOOD AND AGREED THAT THE CONTRACT SHALL COVER THE QUANTITIES ACTUALLY ORDERED FOR DELIVERY DURING THE TERM OF THE CONTRACT, WHETHER MORE OR LESS THAN THE QUANTITIES SHOWN.</p> <p>ORDERING PROCEDURE: SPENDING UNIT(S) SHALL ISSUE A</p>						

SEE REVERSE SIDE FOR TERMS AND CONDITIONS

SIGNATURE <i>Frank Cestare</i>	TELEPHONE <i>610.975.8077</i>	DATE <i>12.15.2010</i>
TITLE <i>Principal Consulting Actuary</i>	FEIN <i>91-0675641</i>	ADDRESS CHANGES TO BE NOTED ABOVE

WHEN RESPONDING TO RFQ, INSERT NAME AND ADDRESS IN SPACE ABOVE LABELED 'VENDOR'



State of West Virginia
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BID OPENING DATE: 12/16/2010 BID OPENING TIME 01:30PM

LINE	QUANTITY	UOP	CAT. NO.	ITEM NUMBER	UNIT PRICE	AMOUNT
<p>WRITTEN STATE CONTRACT ORDER (FORM NUMBER WV-39) TO THE VENDOR FOR COMMODITIES COVERED BY THIS CONTRACT. THE ORIGINAL COPY OF THE WV-39 SHALL BE MAILED TO THE VENDOR AS AUTHORIZATION FOR SHIPMENT, A SECOND COPY MAILED TO THE PURCHASING DIVISION, AND A THIRD COPY RETAINED BY THE SPENDING UNIT.</p> <p>BANKRUPTCY: IN THE EVENT THE VENDOR/CONTRACTOR FILES FOR BANKRUPTCY PROTECTION, THE STATE MAY DEEM THE CONTRACT NULL AND VOID, AND TERMINATE SUCH CONTRACT WITHOUT FURTHER ORDER.</p> <p>THE TERMS AND CONDITIONS CONTAINED IN THIS CONTRACT SHALL SUPERSEDE ANY AND ALL SUBSEQUENT TERMS AND CONDITIONS WHICH MAY APPEAR ON ANY ATTACHED PRINTED DOCUMENTS SUCH AS PRICE LISTS, ORDER FORMS, SALES AGREEMENTS OR MAINTENANCE AGREEMENTS, INCLUDING ANY ELECTRONIC MEDIUM SUCH AS CD-ROM.</p> <p>PURCHASING CARD ACCEPTANCE: THE STATE OF WEST VIRGINIA CURRENTLY UTILIZES A VISA PURCHASING CARD PROGRAM WHICH IS ISSUED THROUGH A BANK. THE SUCCESSFUL VENDOR MUST ACCEPT THE STATE OF WEST VIRGINIA VISA PURCHASING CARD FOR PAYMENT OF ALL ORDERS PLACED BY ANY STATE AGENCY AS A CONDITION OF AWARD.</p> <p>NOTICE</p> <p>A SIGNED BID MUST BE SUBMITTED TO:</p> <p>DEPARTMENT OF ADMINISTRATION PURCHASING DIVISION BUILDING 15 2019 WASHINGTON STREET, EAST CHARLESTON, WV 25305-0130</p>						

SEE REVERSE SIDE FOR TERMS AND CONDITIONS

SIGNATURE *Frank Costare* TELEPHONE 610.975.8077 DATE 12.15.2010

TITLE *Principal Consulting Actuary* FEIN 91-0675641 ADDRESS CHANGES TO BE NOTED ABOVE

WHEN RESPONDING TO RFQ, INSERT NAME AND ADDRESS IN SPACE ABOVE LABELED 'VENDOR'



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LINE	QUANTITY	UOP	CAT. NO.	ITEM NUMBER	UNIT PRICE	AMOUNT
<p>THE BID SHOULD CONTAIN THIS INFORMATION ON THE FACE OF THE ENVELOPE OR THE BID MAY NOT BE CONSIDERED:</p> <p>SEALED BID</p> <p>BUYER: SHELLY MURRAY</p> <p>RFQ. NO.: INS11006</p> <p>BID OPENING DATE: 12/16/2010</p> <p>BID OPENING TIME: 1:30 PM</p> <p>PLEASE PROVIDE A FAX NUMBER IN CASE IT IS NECESSARY TO CONTACT YOU REGARDING YOUR BID: 610.964.1304</p> <p>-----</p> <p>CONTACT PERSON (PLEASE PRINT CLEARLY): Frank J. Cestare</p> <p>-----</p>						

SEE REVERSE SIDE FOR TERMS AND CONDITIONS.

SIGNATURE	TELEPHONE	DATE
<i>Frank J. Cestare</i>	610.975.8077	12.15.2010
TITLE	FEIN	ADDRESS CHANGES TO BE NOTED ABOVE
Principal, Consulting Actuary	91-0675641	

WHEN RESPONDING TO RFQ, INSERT NAME AND ADDRESS IN SPACE ABOVE LABELED 'VENDOR'

INS11006

ACTUARIAL REVIEW AND CONSULTING SERVICES FOR HEALTH INSURANCE RATE FILINGS

The West Virginia Offices of the Insurance Commissioner (OIC), an agency of the West Virginia Department of Revenue, is seeking quotations from qualified actuarial firms for actuarial rate review of health insurers' filings and consulting services. The recent passage of the Patient Protection and Affordable Care Act (PPACA) has resulted in new standards for states reviewing premium increases for health insurers and requires information and recommendations be provided to the Secretary of Health and Human Services. In addition to actuarial review of rate filings, the successful bidder will provide monthly health filing review training sessions for the OIC's rate analysts and develop a rate review manual for the division. The actuarial firm may provide other management consulting services and perform special reviews and/or analysis of health insurance and PPACA matters for the OIC.

"Qualified Actuarial Firm" defined

Any actuarial firm submitting a quotation in response to this Request for Quotation (RFQ) shall meet or exceed the minimum qualification set forth in this RFQ. Those quotations not meeting the mandatory specifications will be disqualified.

The minimum qualifications are as follows:

One or more members assigned to this contract must be a Fellow of the Society of Actuaries (FSA) and/or a Member of the American Academy of Actuaries (MAAA)

Members assigned this contract must have at least five (5) years of experience with individual and group major medical insurance

Members assigned this contract must be knowledgeable of Actuarial Standard Practice No. 8

One or more members to be assigned to this contract must be experienced in providing training and rate review services to state insurance regulators

The firm shall have no conflict of interest with regard to any carrier that is actively writing individual or group major medical plans in the West Virginia market. A qualified actuarial firm cannot be providing actuarial services for carriers that are making health filings in West Virginia and which the firm could be required to assist in review as part of the engagement.

Scope of Services

The firm awarded the contract as a result of this RFQ will assist the Insurance Commissioner and Director of Rates and Forms in reviewing health insurer filings for individual, group and association product offerings. The review shall include, but may not be limited to, analysis of trending, credibility, development factors, durational factors, geographical factors, loss development, loss ratios, rating bands and all other components of a rate filing. It is expected that the review will document the

justification for the rate adjustment, concerns with factors used or selected, support of the factors, identify areas of concern or unjustified, documentation to support the indicated and requested rate levels, projected premium impact and projected premium impact to consumers. Review shall ensure all PPACA components are addressed and the rate filing is in compliance with PPACA regulations.

The firm will also provide monthly training sessions for the OIC policy and rate analyst staff. The objective of the training sessions is to bring actuarial "best practices" to the review processes of the staff. Training will be required on the factors of the rate filing, benchmarks for the factors, trending factors, components of the medical loss ratio, how medical inflation should be addressed, the financial position of the carrier and the impact of mandated benefits. Training sessions should be structured to provide onsite training (Charleston, West Virginia) and web-based session when appropriate. Each monthly session will address specific topics, for example the components of the medical loss ratio, as well as use active pending filings in a case study format. As a product of the training services, the actuarial firm is to develop a manual of rate review guidelines for use by the OIC staff by the end of the first 6 months of the engagement. The manual should document the essential steps of the rate review process and establish benchmarks for the various components of rates by product line, providing the office with a reference guide that is specifically written with a rate analyst in mind. Statute and rules will continue to dictate review requirements and provide the framework for manual topics; however, the guide should go a step beyond to the level of detail necessary to improve an analyst's review of health insurers' filings. It should be a tool that can be used as a general checklist for the OIC's rate reviews as well as a training guide for future insurance and policy analyst.

The actuarial firm may provide other management consulting services and perform special reviews and/or analysis of health insurance and PPACA matters for the OIC. These additional services may include appearances by the actuary's personnel before judicial, legislative, and executive bodies, or others to respond to questions of an actuarial nature or to give reports. These services may also include the preparation of written reports concerning actuarial matters as deemed necessary by the OIC. All work under the proposed contract will be under the direction of the Insurance Commissioner or their designee. Written reports and actuarial findings must be submitted initially in draft form in order that any necessary changes may be discussed and agreed upon before final acceptance.

Expenses Incurred

The State of West Virginia and the West Virginia Offices of the Insurance Commissioner will not be liable for any expenses incurred by any Vendor in the preparation and submission of quotations for this RFQ.

Assignment

The relationship of the selected firm to the State of West Virginia and to the West Virginia Offices of the Insurance Commissioner will be that of an independent contractor, with no principal-agent or employer-employee relationships created by the parties to any resultant agreement. The firm shall not assign, convey, transfer, or delegate any of its responsibilities or obligation under the resultant agreement without prior written approval of the Offices of the Insurance Commissioner. Such approval may be granted by the sole discretion of the Offices of the Insurance Commissioner. No assignments, if any are

granted, shall release the vendor from its liability for the prompts and effective performance of the obligations hereunder.

Taxes

The State of West Virginia and the West Virginia Offices of the Insurance Commissioner are exempt from Federal Excise taxes and from State and local sales and use taxes on the services to be supplied as a result of any contracts resulting from this RFQ. Consequently, the State of West Virginia and the West Virginia Offices of the Insurance Commissioner will have no responsibilities for the payment of any taxes that become payable by the successful firm.

Acceptance Period for Quotations

The quotations submitted in response to the RFQ shall remain fixed and valid for a period a period of six (6) month commencing on the date the quotations are due.

Firm Information

Responding firms should include the following information with their bid proposal submittal. The West Offices of the Insurance Commissioner reserves the right to request this and any additional information at any time during the bid evaluation process prior to their recommendation of award notification to the West Virginia Purchasing Division.

- (a) Name and address of the firm submitting the quotation along with the federal employer identification number of the vendor.
- (b) Date of registration to do business in the State of West Virginia. Foreign corporations and businesses do not need to register to do business in West Virginia to submit a quotation, but must do so before a contract can be issued.

Bid Amount

The amount of the bid submitted by each potential vendor shall be a fixed hourly rate for services rendered. This rate shall be the same regardless of which partner or member performs the services and shall be sufficient to cover any and all incidental expenses. Out of pocket travel expenses shall be billed in accordance with the State of West Virginia's Travel Rules as prescribed by the Travel Management Unit, Purchasing Division.

VENDOR COST: \$ 390.00 PER HOUR

RFQ No. INS11006

STATE OF WEST VIRGINIA
Purchasing Division

PURCHASING AFFIDAVIT

West Virginia Code §5A-3-10a states: No contract or renewal of any contract may be awarded by the state or any of its political subdivisions to any vendor or prospective vendor when the vendor or prospective vendor or a related party to the vendor or prospective vendor is a debtor and the debt owed is an amount greater than one thousand dollars in the aggregate.

DEFINITIONS:

"Debt" means any assessment, premium, penalty, fine, tax or other amount of money owed to the state or any of its political subdivisions because of a judgment, fine, permit violation, license assessment, defaulted workers' compensation premium, penalty or other assessment presently delinquent or due and required to be paid to the state or any of its political subdivisions, including any interest or additional penalties accrued thereon.

"Debtor" means any individual, corporation, partnership, association, limited liability company or any other form or business association owing a debt to the state or any of its political subdivisions. "Political subdivision" means any county commission; municipality; county board of education; any instrumentality established by a county or municipality; any separate corporation or instrumentality established by one or more counties or municipalities, as permitted by law; or any public body charged by law with the performance of a government function or whose jurisdiction is coextensive with one or more counties or municipalities. "Related party" means a party, whether an individual, corporation, partnership, association, limited liability company or any other form or business association or other entity whatsoever, related to any vendor by blood, marriage, ownership or contract through which the party has a relationship of ownership or other interest with the vendor so that the party will actually or by effect receive or control a portion of the benefit, profit or other consideration from performance of a vendor contract with the party receiving an amount that meets or exceed five percent of the total contract amount.

EXCEPTION: The prohibition of this section does not apply where a vendor has contested any tax administered pursuant to chapter eleven of this code, workers' compensation premium, permit fee or environmental fee or assessment and the matter has not become final or where the vendor has entered into a payment plan or agreement and the vendor is not in default of any of the provisions of such plan or agreement.

Under penalty of law for false swearing (*West Virginia Code* §61-5-3), it is hereby certified that the vendor affirms and acknowledges the information in this affidavit and is in compliance with the requirements as stated.

WITNESS THE FOLLOWING SIGNATURE

Vendor's Name: Milliman, Inc.

Authorized Signature: Frank Cestare Date: 12.15.2010

State of Pennsylvania

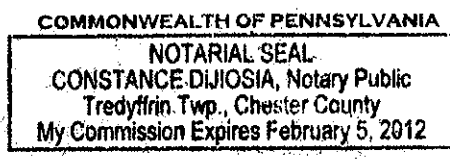
County of Chester, to-wit:

Taken, subscribed, and sworn to before me this 15th day of December, 2010.

My Commission expires February 5, 2012.

AFFIX SEAL HERE

NOTARY PUBLIC Constance DJ



Appendix B

Resumes

Milliman Bio

Frank J. Cestare

FSA, MAAA

Principal, Consulting Actuary



CURRENT RESPONSIBILITY

Frank is an actuary with the Philadelphia office of Milliman. He joined the firm in 1985.

EXPERIENCE

Frank's area of expertise is managed care programs, with a focus on commercial HMO products and Medicare and Medicaid risk contracts. Frank assists clients with product pricing, experience analysis, claim liability estimates, financial projections, capitation structures, and risk-sharing mechanisms.

Frank advises HMOs, Blue Cross and Blue Shield plans, insurance companies, hospitals, and other provider groups.

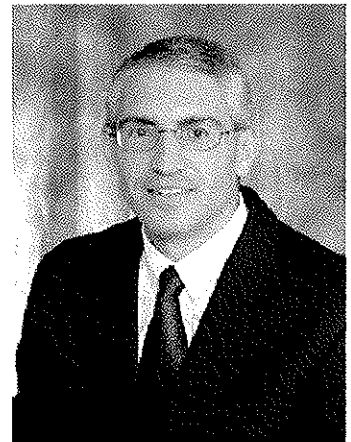
He has significant involvement in Medicare-related research for the firm and is a key contributor to the Milliman Ages 65 and Over Health Cost Guidelines. These guidelines are used both internally and externally for analysis and development of Medicare products.

PROFESSIONAL DESIGNATIONS

- Fellow, Society of Actuaries
- Member, American Academy of Actuaries

EDUCATION

- BA, Temple University



Milliman Bio

Robert H. Dobson

FSA, MAAA
Principal, Consulting Actuary



CURRENT RESPONSIBILITY

Bob is a principal in Milliman's Tampa office, which he opened in 1995. He has been with the firm for more than 20 years. He is past chair of the firm's Health Risk Oversight Panel and is responsible for the development and upkeep of the firm's reference manual for health statements of actuarial opinions.

EXPERIENCE

In addition to his more than 30 years of consulting experience, Bob spent three years as CFO of a Blue Cross Blue Shield Plan. His experience covers all aspects of risk analysis in the financing and delivery of healthcare. Bob's clients have included managed care organizations of all types, insurance companies, Blue Cross and Blue Shield Plans, state insurance departments, hospitals, physician groups, major employers, associations, and the federal government.

During his career, Bob has consulted for insurance departments in Alabama, Florida, Georgia, Maryland, Mississippi, New Hampshire, New Mexico, Ohio, South Carolina, and Vermont. He has also consulted directly for the National Association of Insurance Commissioners (NAIC). In that capacity, Bob co-authored the first "Guidance Manual in the Evaluation of Rating Manuals and Filings Concerning Small Employer Health Insurance Based on NAIC Model Acts and Regulations." Bob has testified before committees in both houses of Congress and to legislative committees in Kentucky, Pennsylvania, and Ohio.

PRESENTATIONS AND PUBLICATION

Bob is a frequent speaker on the subject of healthcare.

PROFESSIONAL DESIGNATIONS

- Fellow, Society of Actuaries
- Member, American Academy of Actuaries

AFFILIATIONS

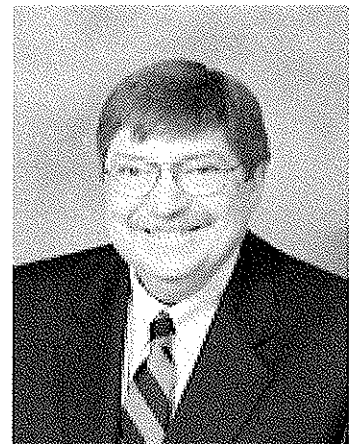
Bob has chaired and served on numerous professional committees responsible for health matters, including terms as president of the Conference of Consulting Actuaries, president of the Southeastern Actuaries Conference, and vice president of the American Academy of Actuaries.

He chaired an NAIC technical advisory committee on surplus requirements for hospital and medical service corporations.

Bob was a member of a blue ribbon committee of the American Academy of Actuaries asked to review insurance company insolvencies.

EDUCATION

BS, Economics, Massachusetts Institute of Technology



Milliman Bio

James A. Dunlap

FSA, MAAA
Actuary



CURRENT RESPONSIBILITY

Jay is an actuary with the Philadelphia office of Milliman. He joined the firm in 1979.

EXPERIENCE

Jay's areas of expertise include group and individual health insurance and alternative delivery systems. Jay works on projects primarily for Blue Cross/Blue Shield plans, hospitals and other provider groups, and insurance companies.

His client projects include evaluation of hospital and physician reimbursement systems, claim reserves, trend analysis, forecasting, and rating issues. His experience extends to related technical areas, including data management systems.

PROFESSIONAL DESIGNATIONS

- Fellow, Society of Actuaries
- Member, American Academy of Actuaries

EDUCATION

- BA, University of Michigan

