



Alaska Railroad Corporation
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July 29, 2010

REQUEST FOR PROPOSALS

10-31-60783

The Alaska Railroad Corporation (ARRC) is soliciting proposals from interested concerns for the following:

Health Claims Administration, Including Provider Networks, Utilization Review, Disease Management, Pharmacy Administration and Networks, FSA and COBRA Administration and Health Improvement and Education Programs

The Alaska Railroad Corporation is conducting this solicitation in partnership with our employee benefits consultants, Buck Consultants, Inc. utilizing their eRFP system, an online system designed to facilitate the exchange of information required by the ARRC and supplied by the proposer. The eRFP system will maintain proposal submission dates and appropriate vendor identification information.

Firms wishing to submit a proposal should contact Steven Chapman via email at steven.chapman@buckconsultants.com to receive an invitation and link to the eRFP system.

The ARRC may award a contract resulting from this solicitation to the responsible offeror whose offer conforming to this solicitation will be most advantageous to the ARRC.

ARRC may reject any or all offers if such action is in the best interest of ARRC, and waives informalities and minor irregularities in offers received. ARRC may award a contract on the basis of initial offers without discussions. Therefore, each initial offer should contain the offeror's best terms from a cost or price and technical standpoint. Any contract resulting from this solicitation shall incorporate the Standard Terms and Conditions contained in this solicitation package.

This Request for Proposals is not to be construed as a commitment of any kind nor does it commit the ARRC to pay for any cost incurred in the submission of an offer or for any other cost incurred prior to the execution of a formal contract.

Section One Introduction and Instructions

1.01 Purpose of the RFP

“Offeror” is defined as a responder to this RFP. “Contractor” is defined as the successfully awarded Offeror.

ARRC is soliciting detailed proposals for a Contractor to provide the services described in this RFP.

(a) Services Sought:

1. Health claims administration for active and retired employees including UCR profiles, claim processing, customer service, COBRA administration, direct bill, coordination of benefits, provider network(s) and claim fiduciary responsibility;
2. UR including pre-certification, individual care management, concurrent review;
3. Care management, including case management, utilization management, disease and maternity management and patient education;
4. Managed mental health;
5. Managed vision care network;
6. Managed dental care network;
7. Pharmacy network and pharmacy claims administration;
8. Health improvement and education programs; and,
9. Health and dependent care FSA administration.

(b) Description of Existing Plans:

1. Group medical and prescription drug for actives and retirees;
2. Group dental and vision for actives;
3. Managed mental health for actives and retirees;
4. Internal Revenue Code, Section 125, health and dependent care FSA for active employees; and
5. COBRA continuation coverage.

(c) Contractors

Offerors must bid on the entire package described in 1.01(a) above. Subcontractors are acceptable to handle portions of the package in accordance with Section 1.04.

1.02 Contract Term and RFP Schedule

The initial period of performance will be from January 1, 2011, to December 31, 2013. ARRC reserves the option to renew the contract for up to eight additional one-year terms, under the same terms and conditions and prices, as adjusted.

The contract term and RFP schedule set out herein represent ARRC's best estimate of the schedule that will be followed. If a component of this schedule, such as the opening date, is delayed, the rest of the schedule will be shifted by the same number of days. Timing and sequence of events resulting from this RFP will ultimately be determined by ARRC.

Unless otherwise provided in this RFP, ARRC and the successful Offeror/Contractor agree: (1) that any holding over of the contract excluding any exercised renewal options, will be considered as a month-to-month extension, and all other terms and conditions shall remain in full force and effect and (2) to provide written notice to the other party of the intent to cancel such month-to-month extension at least 30-days before the desired date of cancellation.

ARRC reserves the right to cancel the contract at its convenience upon thirty calendar days written notice to the Contractor. ARRC is liable only for payment in accordance with the payment provisions of this contract for services or supplies provided before the effective date of termination.

The approximate contract schedule is as follows:

- | | |
|--|----------------------------|
| • RFP issued: | Thursday, July 29, 2010 |
| • Pre-proposal Conference: | Wednesday, August 11, 2010 |
| • Deadline for Receipt of Proposals: | Wednesday, August 25, 2010 |
| • Evaluation Committee completes evaluation: | Friday, September 3, 2010 |
| • Finalist Interviews, if needed | Week of September 6, 2010 |
| • Notice of Intent to Award a Contract issued: | Friday, September 10, 2010 |
| • ARRC issues contract: | Monday, September 27, 2010 |
| • Transition Period through: | Friday, December 31, 2010 |
| • Contract start: | Saturday, January 1, 2011 |

1.03 Right of Rejection

Offerors must comply with all of the terms of the RFP, ARRC procurement rules, and all applicable local, state, and federal laws, codes, and regulations. The ARRC may reject any proposal that does not comply with all of the material and substantial terms, conditions, and performance requirements of the RFP.

Offerors may not qualify the proposal nor restrict the rights of ARRC. If an Offeror does so, the ARRC may determine the proposal to be a non-responsive counter-offer and the proposal may be rejected.

Minor informalities that:

- (a) Do not affect responsiveness;
- (b) Are merely a matter of form or format;
- (c) Do not change the relative standing or otherwise prejudice other offers;
- (d) Do not change the meaning or scope of the RFP;
- (e) Are trivial, negligible, or immaterial in nature;
- (f) Do not reflect a material change in the work; or
- (g) Do not constitute a substantial reservation against a requirement or provision

may be waived by the ARRC.

ARRC reserves the right to refrain from making an award if it determines that to be in its best interest.

1.04 Subcontractors

Subcontractors may be used to perform work under this contract. However, a high level of communication and coordination among Contractors must be demonstrated in the proposal. If an Offeror intends to use Subcontractors, the Offeror must identify in the proposal the names of the Subcontractors and the portions of the work the Subcontractors will perform.

The Contractor will be ultimately responsible for all services provided under the resulting contract including services provided by the Subcontractors.

The Offeror must provide the following information in their proposal concerning each prospective Subcontractor:

- (a) Complete name of the Subcontractor;
- (b) Complete address of the Subcontractor;
- (c) Type of work the Subcontractor will be performing;
- (d) Percentage of work the Subcontractor will be providing;
- (e) Length of time Subcontractor has successfully performed prior contracts for the Offeror; and
- (f) A written statement, signed by each proposed Subcontractor, that clearly verifies that the Subcontractor is committed to render the services required by the contract.

An Offeror's failure to provide this information may cause ARRC to consider their proposal non-responsive and reject it. The substitution of one Subcontractor for another may be made only at the discretion of, and with prior written approval from, the ARRC.

1.05 Submittal of Proposal

All offerors will submit their proposal via Buck's eRFP system. No other submission form will be accepted.

Proposal must be submitted no later than 4:00 pm Mountain Standard Time on Wednesday, August 25, 2010.

An Offeror's failure to submit its proposal prior to the deadline will cause the proposal to be disqualified. Late proposals or amendments will not be opened or accepted for evaluation.

Section Two Standard Proposal Information

2.01 Pre-proposal Conference

A pre-proposal conference will be held at 9:00 a.m., Alaska Time, on Wednesday, August 11, 2010 at the ARRC headquarters in Anchorage, Alaska. The purpose of the conference is to discuss the work to be performed with the prospective Offerors and allow them to ask questions concerning the RFP. Questions can be sent in advance to Pam Barbeau, Benefits and Records Manager at barbeaup@akrr.com. No other questions regarding this RFP and its content will be answered following the pre-proposal conference.

Offerors are not required to attend the conference in person; instead, they can call 866-566-0164; passcode 1429409 to participate in the meeting. Questions and answers will be posted as an amendment to the eRFP on Buck's eRFP and ARRC websites.

Questions specific to the eRFP system can be directed to Steve Chapman via email at Steven.chapman@buckconsultants.com.

2.02 Examination of the Request for Proposal

Offerors should carefully examine the entire Request for Proposal and any addenda thereto, and all related materials and data referenced in the Request for Proposal. Offerors should become fully aware of the nature of the work and the conditions likely to be encountered in performing the work.

2.03 Federal Contract Provisions

As a recipient of federal funding, the ARRC is required to follow certain guidelines in its procurement processes. You will note the inclusion of the Required Contract Provisions for Federal Aid Contracts. Offerors will only have to comply with the federal provisions that are relevant to this type of contract. Specifically, sections 1, 3, 4, 5, 6, 11, 16, 21, 22, 23, 24, and 26 should not apply to offerors proposing on the RFP. Offerors must complete the Contractor Responsibility Questionnaire (see Attachments).

2.04 Award/Implementation Timetable

Award of this proposal is anticipated to be announced within forty-five (45) calendar days of the proposal due date. All offers, however, must be complete and irrevocable for one hundred and twenty (120) days following the submission date. The target implementation date for the new plan of services is January 1, 2011.

2.05 Confidentiality

The content of proposals will be kept confidential until the selection of the Contractor is publicly announced. At that time, the selected proposal is open for review. After the award of

the contract, all proposals will then become public information.

2.06 Proposal Format

Proposals are to be prepared in such a way as to provide a straightforward, concise delineation of the offeror's capabilities to satisfy the requirements of this Request for Proposal. Emphasis should be concentrated on: 1) conformance to the Request for Proposal instructions; 2) responsiveness to the Request for Proposal requirements; 3) completeness and clarity of content.

2.07 No Gain/No Loss

The winning offeror must agree to assume all liabilities existing on the effective date on a "no-gain/no-loss" basis. This would include assuming all claim liabilities incurred subsequent to the effective date for which there is no terminal liability applicable to the carry-over provision, crediting deductible and coinsurance expenses incurred prior to the effective date, and extension of coverage to all participating employees without requiring that they be free of disability. If an employee is entitled to benefits under a prior plan, it will be expected that the prior plan fulfill its obligation.

2.08 Right to Audit

ARRC reserves the right to audit the program's claim records and other financial and administrative records of the selected vendor(s) as they pertain to ARCC at any time. Such audits would be performed by Railroad personnel or by outside Auditors selected by ARRC.

At ARRC's direction, you will provide auditors:

- (a) Access to your facilities, including nurse reviewer work stations, during regular business hours for the purpose of on-site review. (Auditors will agree to abide by your confidentiality policies.)
- (b) Case specific documentation
- (c) Financial and other records

2.09 Compensation of Professional Advisors

For purposes of computing expenses under this contract, ARRC does not authorize, nor will it recognize, the appointment of any agent or broker by any respondent to this request for proposal, nor does it authorize any payment or remuneration of any kind by a carrier to anyone not authorized in writing by ARRC as being entitled to such payment or remuneration. The honoring of employment agreements or contracts between the selected provider and the full-time service personnel is expected. Your proposal must exclude commissions.

2.10 Contract Termination

- a) Transfer of Records

In the event of termination of this contract for any reason, the contractor agrees to transfer to ARRC or the gaining offeror within thirty (30) days of notice of termination, and to update as required, all data and participant records necessary to administer the plans.

b) Year End Accounting

The Contractor shall deliver a final accounting to ARRC or its designated representatives within 120 days after termination of the contract, including full disclosure of all revenues, expenses and reserves, if any, held by the offeror.

2.11 Re-insurance

Any re-insurance agreement or other provision for joint administration of any benefits included in your proposal must be described in full and will be subject to approval by ARRC.

2.12 Preparation Costs

All costs incurred during proposal preparation, or in any way associated with the offeror's preparation, response, submission, presentation, or oral interviews (if held) shall be the sole responsibility of the offeror and shall not be reimbursed by the Railroad.

2.13 News Releases

News releases pertaining to the award resulting from the Request for Proposals shall not be made without prior written approval of the ARRC Purchasing Office.

2.14 Disposition of Proposals

All materials submitted in response to this Request for Proposal will become the property of the Alaska Railroad Corporation. One copy shall be retained for the official files of the Purchasing Department and will become public record after award of the contract.

2.15 Modification/Withdrawal of Proposals

A respondent may withdraw a proposal at any time prior to the final submission date by sending written notification of its withdrawal, signed by an agent authorized to represent the respondent. The respondent may thereafter submit a new or modified proposal prior to the final submission date. Modifications offered in any other manner, oral or written, will not be considered. A final proposal cannot be changed or withdrawn after the time designated for receipt, except for modifications requested by ARRC after the date of receipt and following oral presentations.

2.16 Oral Change/Interpretation

No oral change or interpretation of the provisions contained in this Request for Proposal is valid whether issued at a pre-proposal conference or otherwise. Written addenda may be issued through Buck's eRFP system and ARRC website when changes, clarifications or

amendments to proposal documents are deemed necessary by ARRC.

2.17 Equal Employment Opportunity Reporting Requirements

The contractor shall be required to execute and return such forms as may be necessary to the Equal Employment Opportunity Contract Compliance Officer prior to the award of a contract. Failure to complete and return the forms, or failure to meet the requirements of the Regulation, shall be grounds for not awarding a contract to the offeror.

2.18 Duplication of Existing Benefits

Offerors agree to match the indicated plan provisions and proposed specifications as stated in this RFP. Deviations must be indicated on the Statement of Compliance form provided in the Attachments.

2.19 Clarification of Offers

In order to determine if a proposal is reasonably acceptable for award, communications by the ARRC or the proposal evaluation committee are permitted with an Offeror to clarify uncertainties or eliminate confusion concerning the contents of a proposal. Clarifications may not result in a material or substantive change to the proposal. The evaluation by the procurement officer or the proposal evaluation committee may be adjusted as a result of a clarification under this section.

2.20 Discussions with Offerors

ARRC may conduct discussions with Offerors. The purpose of these discussions will be to ensure full understanding of the requirements of the RFP and proposal. Discussions will be limited to specific sections of the RFP or proposal identified by the procurement officer. The opportunity for confidential discussions, if held, must be extended to all Offerors submitting proposals deemed reasonably acceptable for award by the procurement officer. Discussions will only be held with those Offerors who have submitted a proposal deemed reasonably acceptable for award by the procurement officer. Discussions, if held, will be after initial evaluation of proposals by the Evaluation Committee. If modifications are made as a result of these discussions, they will be put in writing. Following discussions, the procurement officer may set a time for best and final proposal submissions from those Offerors with whom discussions were held. Proposals may be reevaluated after receipt of best and final proposal submissions.

If an Offeror does not submit a best and final proposal or a notice of withdrawal, the Offeror's immediate previous proposal is considered the Offeror's best and final proposal.

Offerors with a disability needing accommodation should contact the procurement officer prior to the date set for discussions so that reasonable accommodation can be made. Any oral modification of a proposal must be reduced to writing by the Offeror.

2.21 Minimum Prior Experience

In order for offers to be considered responsive, Offerors must meet these minimum prior experience requirements:

- (a) Offerors must have provided claim administration for medical, pharmacy, vision, and dental services requested in this RFP, for at least one employer of 1,000 or more participants, for at least five years;
- (b) Offerors must have provided claim administration for medical, pharmacy, vision, and dental services requested in this RFP, for at least one employer based in Alaska, for at least two years;
- (c) Offerors must have experience providing medical, pharmacy, vision, and dental services to a governmental employer.

An Offeror's failure to meet these minimum prior experience requirements will cause their proposal to be considered non-responsive and their proposal will be rejected. **Offerors are required to demonstrate that they met the minimum prior experience by providing evidence that confirms the Offeror meets the minimum requirements in the Appendix. Acceptable evidence includes a letter from the client that verifies the Offeror performed the services as specified with the requirements of (a) through (c) above. If a letter is not included in the proposal, the client will be contacted to verify the experience. It is not necessarily the intent of ARRC to require the Offeror to meet all of the requirements of (a) through (c) above through only one client.**

2.22 Evaluation of Proposals

The ARRC, or an evaluation committee appointed by ARRC will evaluate proposals. The evaluation will be based solely on the evaluation factors set out Section 3 – Evaluation of Proposals.

After receipt of proposals, if there is a need for any substantial clarification or material change in the RFP, an amendment will be issued. The amendment will incorporate the clarification or change, and a new date and time established for new or amended proposals. Evaluations may be adjusted as a result of receiving new or amended proposals.

2.23 Contract Negotiation

After final evaluation, the ARRC may negotiate with the Offeror of the highest-ranked proposal. Negotiations, if held, shall be within the scope of the request for proposals and limited to those items which would not have an effect on the ranking of proposals. If the procurement officer determines that the highest-ranked Offeror fails to provide necessary information for negotiations in a timely manner, or fails to negotiate in good faith, ARRC may terminate negotiations and negotiate with the Offeror of the next highest-ranked proposal.

2.24 Failure to Negotiate

If the selected Offeror

- (a) Fails to provide the information required to begin negotiations in a timely manner; or
- (b) Fails to negotiate in good faith; or

- (c) Indicates they cannot perform the contract within the budgeted funds available for the project; or
- (d) If the Offeror and ARRC, after a good faith effort, simply cannot come to terms

ARRC may terminate negotiations with the Offeror initially selected and commence negotiations with the next highest ranked Offeror.

2.25 Notice of Intent to Award (NIA) — Offeror Notification of Selection

After the completion of contract negotiation the procurement officer will issue a written NIA and send copies to all Offerors. The NIA will set out the names of all Offerors and identify the proposal selected for award.

2.26 Protest

Filing of a Protest. An interested party may protest the award of a contract, the proposed award of a contract, or a solicitation for supplies, services, professional services, or construction by ARRC. The protest shall be filed with the procurement officer in writing and must include the following information:

- (1) the name, address, and telephone number of the protester;
- (2) the signature of the protester or the protester's representative;
- (3) identification of the solicitation or contract at issue;
- (4) a detailed statement of the legal and factual grounds of the protest, including copies of all relevant documents; and
- (5) the form of relief requested.

Time for Filing a Protest.

- (a) A protest based on alleged improprieties or ambiguities in a solicitation must be filed at least 10 days before the due date of the bid or proposal, unless a later protest due date is specifically allowed in the solicitation. If a solicitation is made with a shortened public notice period and the protest is based on alleged improprieties or ambiguities in the solicitation, the protest must be filed before the due date of the bid or proposal. Notwithstanding the other provisions in this subsection, the protest of an invitation to bid or a request for proposals in which a pre-bid or pre-proposal conference is held within 12 days of the due date must be filed before the due date of the bid or proposal if the protest is based on alleged improprieties or ambiguities in the solicitation. A protest based upon alleged improprieties in an award of a contract or a proposed award of a contract must be filed within 10 days after a notice of intent to award a contract is issued by the procurement officer.
- (b) If the protester shows good cause, the procurement officer may consider a filed protest that is not timely.

Notice of Protest. The procurement officer shall immediately give notice of a protest filed under Rule 1800.2 to the contractor if a contract has been awarded or, if no award has been made, to all interested parties.

Section Three Evaluation of Proposals

The selection of a firm to perform the requested services will be made by an ARRC appointed committee which will evaluate the proposals in accordance with the evaluation criteria specified herein and establish a ranking. Proposals will be evaluated on the basis of advantages and disadvantages to ARRC using the criteria described in this Section.

ARRC reserves the right to select the top ranked firm based solely on the scoring of the written proposals and to enter directly into negotiations with said firm. However, at its sole discretion, ARRC may require the highest ranked firms to make an oral presentation to the evaluation committee. In this event, oral presentations will be scheduled at ARRC's Board Room located at 327 West Ship Creek Avenue, Anchorage, Alaska. The selected firms will have an opportunity to summarize the information provided in their written proposals, expand on their capabilities, experience and proposed approach and work plan and answer questions from the evaluation committee. It is important that the primary individuals servicing the contract are present for this presentation. Scores obtained in the initial phase will not carry over to the presentation phase. Upon completion of the oral presentations, the evaluation committee will review the material presented and determine a ranking order for the firms interviewed.

Evaluation Criteria

Scoring Components	Percentage
General Business Information & Miscellaneous Services	15%
Medical, Dental, Vision Administration	20%
Pharmacy Administration	10%
Care Management	20%
Performance Guarantees	5%
Pricing	30%
Total	100%

Contract Award

Once the committee has established a ranking, ARRC will begin negotiations with the highest ranked firm. If an agreement cannot be reached on contract terms, negotiations will be terminated, and negotiations will be conducted with the next highest ranked firm, until an agreement is reached, or until ARRC exercises its right to cancel the solicitation.

Section Four

Standard Contract Information

4.01 Standard Contract Provisions

The Contractor is required to review the attached ARRC Standard Agreement Form for Professional Services Contracts and note any objections in writing. (See Attachments). The Contractor must comply with the contract provisions set out in this Attachment. No alteration of these provisions will be permitted without prior written approval from the ARRC Legal Department. Objections to any of the provisions in Appendix A must be set out in the Offeror's proposal.

4.02 Proposal as a Part of the Contract

Part or all of this RFP and the successful proposal will be incorporated into the contract.

4.03 Additional Terms and Conditions

ARRC reserves the right to add terms and conditions during contract negotiations. These terms and conditions will be within the scope of the RFP and will not affect the proposal evaluations.

4.04 Insurance Requirements

The successful Offeror must provide proof of workers' compensation insurance prior to contract approval.

The successful Offeror must secure the insurance coverage required by ARRC. An Offeror's failure to provide evidence of such insurance coverage is a material breach and grounds for withdrawal of the award or termination of the contract.

Offerors must review ARRC's list of required coverage as shown in the Attachments for details on required coverage. No alteration of these requirements will be permitted without prior written approval from ARRC. Objections to any of the requirements must be specified in the Offeror's proposal and attached in the Appendix.

4.05 Contract Personnel

Key personnel are defined as account manager, home office or regional office manager ultimately responsible for ARRC's account and any other persons the Offeror lists as having ultimate responsibility for ARRC's account.

Any change of the key personnel named in the proposal must be approved at least 14 days in advance, and in writing, by the ARRC. The Contractor must provide written justification as to why these key personnel are being removed or diverted and provide the names of the proposed substitutes or replacements including the education, work experience, and other

relevant experience of each. Personnel changes that are not approved by ARRC may be grounds for ARRC to terminate the contract.

4.06 Inspection & Modification - Reimbursement for Unacceptable Deliverables

The Contractor is responsible for the completion of all work set out in the contract. All work is subject to inspection, evaluation, and approval by the ARRC. ARRC may employ all reasonable means to ensure that the work is progressing and being performed in compliance with the contract. The ARRC may instruct the Contractor to make corrections or modifications, if needed, in order to accomplish the contract's intent. The Contractor will not unreasonably withhold such changes.

Substantial failure of the Contractor to perform the contract may cause ARRC to terminate the contract. In this event, ARRC may require the Contractor to reimburse monies paid (based on the identified portion of unacceptable work received) and may seek associated damages.

4.07 Termination for Default

If the ARRC determines that the Contractor has refused to perform the work or has failed to perform the work with such diligence as to ensure its timely and accurate completion, ARRC may, by providing written notice to the Contractor, terminate the Contractor's right to proceed with part or all of the remaining work.

4.08 Contract Changes - Unanticipated Amendments

During the course of this contract, the Contractor may be required to perform additional work. That work will be within the general scope of the initial contract. When additional work is required, the ARRC will provide the Contractor a written description of the additional work and request the Contractor to submit a firm time schedule for accomplishing the additional work and a firm price for the additional work.

The Contractor will not commence additional work until the ARRC has secured any required approvals necessary for the amendment and issued a written contract amendment.

4.09 Contract Invalidation

If any provision of this contract is found to be invalid, such invalidation will not be construed to invalidate the entire contract.

Section 5 Background

Alaska Railroad Corporation

The Alaska Railroad Corporation is a public corporation created by the State of Alaska to own and operate the railroad and manage the railroad's properties. The Alaska Railroad is the last full service (passengers and freight) railroad in the United States, with a route that runs from Seward and Whittier at tidewater to interior Alaska just beyond Fairbanks. The corporation is headquartered in Anchorage, with work stations in Anchorage, Fairbanks, Nenana, Healy, Denali National Park, Cantwell, Talkeetna, Wasilla, Seward and Whittier, as well as a two-person office in Seattle, WA. As of June 1, 2010, there were 816 active employees.

Aetna has been the underwriter for ARRC health and life insurance plans since 1985. Health insurance was on a minimum premium basis until 1/1/2008 and is now self-insured.

Health Plan Information

Active Employees

The Alaska Railroad Corporation has employees in five bargaining units in addition to its non-represented employees. The Railroad bargains benefit matters with all five labor organizations; at this time each labor contract has the same insurance plan provisions. All participating employees, retirees, and COBRA enrollees are covered under a single insurance contract.

Participation in the health insurance plan is voluntary. Union-represented employees are eligible upon completion of a 90 day waiting period. Non-represented employees (except Special Services) are eligible from date of hire. Both groups may enroll within 31 days of their eligibility date. If coverage is refused at that time, they may enroll at the annual open enrollment period or within 31 days of a Qualifying Event.

As of June 1, 2010

	# Eligible	# Enrolled
Union-Represented	622	526
Non-represented Employees	169	160
Total	791	686

There are three coverage levels for participating employees, whether union- or non-represented: self only, self plus one dependent, and self plus two or more dependents. Union-represented employees participating in the health plan pay 10% of the overall premium for the coverage level in which enrolled. Non-represented employees' premium share is set each year by management.

A summary of the Health Insurance Plan provisions is included with the RFP. (Attachments)

Retired Employees

The Railroad offers medical and prescription drug coverage to retiring employees and their eligible family members. Employees who were enrolled in the plan prior to retirement and who retire on an immediate retirement are eligible to enroll. There are currently 42 retirees in the Retiree Medical Plan.

The premium contribution rules for retirees are established in ARRC policy and labor contracts.

For management retirees from age 58, union retirees from age 62, and disability retirees at any age, the Corporation is responsible for forty percent (40%) of the premium cost for the retiree, his or her spouse and dependents. The remaining sixty percent (60%) of the premium for this coverage is paid by the retiree. For retirees retiring early and not eligible for subsidized coverage, the retiree pays the full cost of the post retirement medical premium until reaching the required age.

The Railroad has applied for the Medicare Part D Retiree Drug Subsidy since 2006.

COBRA Enrollees and Employees on Leave/Layoff

COBRA participants are eligible for the same coverage which is available to active employees. Participants who have been laid off or are on leave of absence may continue coverage but do not pay the 2% COBRA administrative fee.

Enrollment/Section 125

The Plan provides an annual enrollment period (approx. mid-November to mid-December) in conjunction with our Section 125, Premium Only Plan. Active employees who are eligible for insurance enrollment are also eligible to enroll in the Premium Only Plan, which allows enrollees to pay the health insurance and certain other premiums on a pre-tax basis. Health Plan enrollment is conducted within the rules of the Premium Only Plan and HIPAA requirements.

COBRA and Retiree Medical Billing Services

Currently, the ARRC issues COBRA election notices. Plan participants (including employees on leave or layoff) submit their election forms to the health insurance carrier, which performs all enrollment and billing functions. The carrier remits collected premiums to the Railroad net of administrative fees, via wire transfer. The carrier provides monthly plan sponsor reporting of eligibility and payment status.

The number of COBRA enrollees is small and variable. On average, pre-ARRA subsidy, there are five enrollees at any given time. Five to 25 employees or family members receive COBRA notices each month.

Flexible Spending Account Administration

Aetna currently provides health care and dependent care flexible spending account services. The Railroad transmits enrollment and contribution data to the carrier. The carrier receives and adjudicates claims, either from manual submissions or claims passed on via the health claim and prescription drug claim systems. The carrier is reimbursed by wire transfer and provides monthly enrollment and financial reporting.

Non-represented employees are eligible for enrollment from date of hire; union employees are eligible if they have had at least 12 months of continuous employment and expect to work year-round in the coming plan year. The Health FSA contribution maximum is either \$1500 or \$5000, depending on bargaining unit. There are currently 74 health care spending account participants and 2 dependent care participants. The maximum FSA grace period was adopted in 2006.

Section Six Scope of Services

6.01 Health Insurance Plan

The current summary plan description of the ARRC Health Insurance Plan is included in the Attachments. **Offerors must agree to duplicate the existing benefits. Offerors must agree to accept all current participants in the health insurance plan, including retirees, dependents and COBRA participants, regardless of medical condition. Any objections must be stated in writing.**

1) Claims Administration

- (a) The claims administrator shall provide employees to administer the Railroad's health plan including handling such matters as:

- (1) eligibility,
- (2) claims adjudication (claim fiduciary) and payment,
- (3) coordination of benefits,
- (4) COBRA provisions, and
- (5) conversion to individual policies.

This unit will be adequately staffed to handle the administration functions of the health plan. The claims processing location is at the discretion of the vendor.

- (b) The claims administrator shall also:

- (1) Arrange for the design, printing and shipping of all identification cards, claim forms and SPD's as required and approved by the Railroad, both on an initial and on an update basis.
- (2) Prepare, print and furnish to the Railroad an administrative manual containing all information of a substantive nature concerning all aspects of administering this program. This manual shall be updated and the update provided to the Railroad within one month of any change in practice or procedure affecting the administration of the plans.
- (3) Establish specific performance objectives for its contract with the Railroad. The contractor will also establish procedures for monitoring and reporting to the Railroad on their compliance with the performance standards.
- (4) Use reasonable care and diligence in the exercise of its powers and the performance of its duties.

- (c) The winning Offeror must provide an appeal procedure in the claims administration process for cases where benefits are denied based on medical necessity, appropriateness of care, or other plan limitations.

2) Contract Implementation

- (a) The successful Offeror shall prepare all documents and training necessary for plan implementation, including but not limited to contracts, funding agreements, banking arrangements, necessary administrative forms and administration/claim manual(s).
- (b) The successful Offeror shall coordinate with Railroad staff on the preparation of all employee communications which will be required to successfully implement the plan.
- (c) The successful Offeror will bear the cost of establishing compatible data processing systems for eligibility information.

3) Customer Service

- (a) The selected Offeror shall provide qualified staff to answer questions from plan participants at a customer service location in Anchorage or through a toll free telephone line. The selected Offeror's "office hours" for telephone inquiries shall be at least Monday – Friday, 8:00 a.m. to 4:00 p.m. Alaska Time.
- (b) The selected contractor shall participate in the design and presentation of orientation sessions for all eligible employees covering such topics as claim procedures, customer service, and informational tools and resources. Training will begin as soon as possible after contract award. The Railroad may require subsequent orientation sessions upon each annual renewal period.
- (c) If there is a change in Contractor as a result of this RFP, the successful Offeror must notify the Anchorage, Fairbanks, Seward and Mat-Su Valley health care communities (i.e., doctors, pharmacies, dentists, hospitals) within 60 calendar days of award of the contract, of the change in claims administrator for the Railroad's health care plan and the revised procedures to submit a health care related claim. In addition, the successful Offeror must notify the health care community of the timing of payments for services rendered under the Railroad's benefit plan. The cost of this notification is the responsibility of the successful Offeror.

4) Health Cost Management Services

- (a) The contractor(s) will be expected to provide basic cost management services in its claims processing unit. These services will include:
 - (1) Screening for medical necessity of submitted expenses.
 - (2) Screening for third party liability claims.
 - (2) Screening for duplicate claims.
 - (3) Ensuring proper administration of coordination of benefits (COB) for covered participants.
 - (4) Determining usual and customary charges for Alaska based on Alaska data.

5) Reporting Requirements

The following reports are viewed as the minimum set of reports that are necessary for the Railroad to effectively manage its health care plan. The contractor(s) shall provide the following reports, on the basis of paid claims by active (represented and non-represented) and retiree (represented and non-represented). Reports under (a) and (b) below shall be provided at the frequency shown below no later than the 20th of each month following the reporting period, unless stated otherwise:

- (a) Case Management and Utilization Reports - Medical, Vision, Audio, Dental and Pharmacy
 - (1) Utilization of Inpatient Hospital Services by major service category, detailing the number of admits, days, submitted and covered expenses. The frequency of this report should be quarterly with an annual summary.
 - (2) Utilization of Outpatient Hospital Services by major service category, detailing the submitted and covered expenses. The frequency of this report should be quarterly with an annual summary.
 - (3) Utilization of non-hospital facility services by major service category detailing the number of claimants and covered expenses. The frequency of this report should be quarterly with an annual summary.
 - (4) Claimant experience by dollar amount detailing the dollar range, number of claims and covered expenses. The frequency of this report should be quarterly with an annual summary.
 - (5) Trend reports for inpatient hospital services detailing the total covered expense per day and per employee and the variance between plan years. The frequency of this report should be annual.
 - (6) Trend reports for outpatient hospital services detailing the total covered expense per unit of service and per employee and the variance between plan years. The frequency of this report should be annual.
 - (7) Summary reports detailing for inpatient and outpatient services, the dollar value of submitted expenses, covered expenses, benefits payable and number of services. The frequency of this report should be quarterly with an annual summary.
 - (8) A monthly electronic file of all paid claims, broken out by employee group (actives, retirees, COBRA and union or non-represented) and by employee, dependent and Medicare status.
 - (9) In addition, the successful Offeror must have an ability to provide custom reports based upon Railroad's claims data.
 - (10) Summary Case Management reports detailing current cases, length of time cases are open, financial impact, call tracking, provider performance, clinical quality indicators, etc.

(b) PPO Reporting

Your organization must provide quarterly reporting to the Railroad documenting the value of the PPO networks. Reports shall be provided within 30 calendar days after the end of each calendar quarter. This reporting will:

- (1) Identify the claims and dollar volume of services provided by network versus non-network providers,
- (2) Compare network versus non-network costs per service and diagnosis,
- (3) Report both gross and net cost and summarize the dollar savings achieved through the use of the network, including a description of the savings calculation,
- (4) Compare Railroad usage and costs to norms such as your book of business.

(c) Financial Reports

- (1) A report listing the monthly Reserve Estimates for:
 - medical,
 - dental
 - vision
- (2) A monthly listing in date order showing the date and the amount of draws from the bank account to pay claims.
- (3) A monthly summary of current month and year to date paid claims per group (actives, retirees and COBRA, each by union and non-represented categories).

(d) Performance Reports

Quarterly reports (within 30 calendar days after the end of each calendar quarter) and/or annual reports demonstrating the contractor's performance in the areas where performance guarantees have been negotiated, including:

- (1) Implementation
- (2) Financial Accuracy
- (3) Claims Payment Accuracy
- (4) Total Claim Accuracy
- (5) Claim Turnaround Time
- (6) Customer Service
- (7) Account Management
- (8) Eligibility Administration
- (9) Pharmacy Administration
- (10) Care Management Administration
- (11) Delivery of Performance Results

6) Funding and Financing

The Railroad's health plan is currently financed on a bundled self-insured basis

7) Preferred Provider Organizations

- (a) The Contractor must have an existing hospital provider/network in Anchorage and the Seattle, WA area which can be accessed on both a voluntary and mandatory basis, and which provides discounted rates to participants. Preferably, the contractor will have a hospital network in the rest of the United States.
- (b) The Contractor must have an existing physician and ancillary services provider network in Alaska (at minimum in Anchorage and Fairbanks) which can be accessed on a voluntary basis and which provides discounted rates to participants.
- (c) The Contractor must have an existing preferred pharmacy network in Alaska (at minimum in Anchorage and Fairbanks) and an existing mail order pharmacy program. Both the preferred pharmacies and the mail order pharmacy will provide discounted rates to plan participants. Preferably, the Contractor will have a preferred pharmacy network in the rest of the United States.

8) Annual Accounting

The successful Offeror(s) shall deliver a year-end accounting within 120 calendar days after the end of the plan year which will contain the following items as appropriate for the program:

- (a) Financial Summary - this summary should illustrate the basic premium and wire transfers received throughout the year and actual claims paid.
- (b) Carrier Reserves - this summary should illustrate the beginning balance, deposits, ending balance and interest accrued on any reserves held by the Offeror.
- (c) Cash Balance - this summary should illustrate credited premiums, pooling charges, changes in liability and retention charges.
- (d) Financial Reconciliation - this summary should include a detailed accounting of all plan funding and costs, including all retention charges, premium taxes and direct billings.

9) Other Cost Containment Options

The Railroad is interested in including additional cost containment and managed care features. The successful offeror(s) must be willing to and capable of working with the Railroad directly or indirectly to deliver these products.

10) Data Processing Requirements

- (a) The contractor(s) must also be able to accept participant eligibility data electronically. The Railroad will provide data in the form and format agreed to between the contractor and the Railroad. However, any cost associated with preparing to utilize the Railroad's electronic eligibility data is the responsibility of the Contractor. The Railroad will provide the successful Contractor with any relevant information regarding data contained in the electronic file.

- (b) The successful Offeror must be capable of producing reports and turnaround documents in a timely fashion as required by the Railroad.

Railroad's Duties

The Railroad plans to perform certain tasks as follows:

1. Produce bi-weekly electronic eligibility list(s) on which monthly administrative fees and benefit eligibility will be based;
2. Calculate and remit monthly administrative fees, utilizing forms or methods provided or approved by the contractor;
3. Coordinate with the contractor(s) on the design, production and distribution of the necessary forms and identification cards, and make them available to all eligible participants; and
4. Review and approve the SPD and administrative manuals developed by the contractor.

6.02 Flexible Spending Account Administration

The successful offeror or its subcontractor will administer the Health Care and Dependent Care Assistance Plan Flexible Spending Account programs. The offeror must agree to provide at least the level of service currently enjoyed by plan participants.

- 1) The offeror must receive and adjudicate claims, and provide financial reporting at the participant and plan sponsor levels.
- 2) The offeror must be able to receive electronic eligibility and financial data from the Railroad.
- 3) The offeror must provide wire transfer or ACH funding capability.
- 4) Participants should have access to web-based and paper account information.
- 5) Health care FSA claims should be integrated with health insurance claims so that the participant who has no Coordination of Benefits will not have to manually submit claims.
- 6) Must provide telephone and web customer service to respond to participants' program and claim questions.

6.03 COBRA and Retiree Medical Enrollment and Billing Services

The successful offeror or its subcontractor will administer the enrollment and billing services for COBRA and retiree medical participants. The offeror must agree to provide at least the level of service currently enjoyed by plan participants.

COBRA Enrollment and Billing Services

The Railroad currently provides COBRA notifications both to new enrollees and to participants who experience a triggering event. We are interested in your proposals for

providing those services, but we may not change the current approach. The following services are required at minimum:

- 1) The offeror must administer the COBRA program from the point of receiving an election from a qualified beneficiary through the end of the beneficiary's eligibility for COBRA continuation coverage.
- 2) The offeror must provide monthly paper billing of enrolled beneficiaries.
- 3) The offeror must receive premiums from beneficiaries and disburse premiums to the client.
- 4) The offeror must report benefits eligibility to the health insurance administrator (if different from self).
- 5) The offeror must provide telephone and web customer service to respond to participants' payment and enrollment questions.
- 6) The offeror must report enrollment and payment information to the plan sponsor at least monthly.

Retiree Medical Enrollment and Billing Services

The Railroad counsels retiring employees on retiree medical benefits and provides eligible retirees with information on coverage and cost, as well as the enrollment forms. The Railroad will transmit the initial enrollment data to the contractor, and notify the contractor of changes in eligibility and premiums.

The following services are required at minimum:

- 1) The offeror must administer the retiree medical services from the point of receiving an enrollment until the enrollee cancels coverage, dies, or has coverage terminated for non-payment.
- 2) The offeror must provide monthly paper billing of enrollees.
- 3) The offeror must receive premiums from enrollees and disburse premiums to the client.
- 4) The offeror must report benefits eligibility to the health insurance administrator (if different from self).
- 5) The offeror must provide telephone and web customer service to respond to participants' payment and enrollment questions.
- 6) The offeror must report enrollment and payment information to the plan sponsor at least monthly.