

ALC Review Subcommittee Report For Emergency Review of Professional Consultant Services (PCS) Contract

August 3, 2011

The attached request dated July 20th, 2011, was received from DFA Director, Richard Weiss to review a Professional Consultant Services Contract. The request for Emergency Review of the Contract stated that review of this item was needed to provide project management and data analysis for a comprehensive payment reform for the Arkansas health care system.

The Chairs of Arkansas Legislative Council and ALC Review Subcommittee agreed to consider the request for the emergency review and after receiving the contract submitted by DFA-Office of State Procurement (Attachment A) it was reviewed by Senator Mary Anne Salmon, Representative Tommy Baker, Senator Randy Laverty and Representative Larry Cowling on August 2nd and August 3rd, 2011.

Respectfully Submitted,

Senator Randy Laverty, Co-Chair
ALC Review Subcommittee

Representative Larry Cowling, Co-Chair
ALC Review Subcommittee



STATE OF ARKANSAS
**Department of Finance
and Administration**

OFFICE OF THE DIRECTOR
1509 West Seventh Street, Suite 401
Post Office Box 3278
Little Rock, Arkansas 72203-3278
Phone: (501) 682-2242
Fax: (501) 682-1029
<http://www.state.ar.us/dfa>

July 20, 2011

Senator Mary Anne Salmon, Co-Chair
Representative Tommy Lee Baker, Co-Chair
Arkansas Legislative Council
Senator Randy Lavery, Co-Chair
Representative Larry Cowling, Co-Chair
Review Subcommittee-Arkansas Legislative Council
Room 171, State Capitol
Little Rock, AR 72201

RE: Emergency Contract Review

Dear Senators Salmon and Lavery and Representatives Baker and Cowling:

Pursuant to the Arkansas Legislative Council Rule # 17, Emergency Action, the Department of Human Services has a professional consultant contract that requires immediate review. The Department of Finance and Administration, Office of State Procurement, respectfully requests an emergency review of this professional service contract that is time sensitive and would serve in the best interest of the State.

The contract is between the Department of Human Services, Division of Medical Services and McKinsey & Company, Inc. to provide project management and data analysis for comprehensive payment reform for the Arkansas health care system. The contractor will provide actuarial and economic models of Return on Investment (ROI) that will be essential for legislative decision-making during the upcoming budget cycle and for implementation of system transformation in June 2012. The proposed initial term of the contract is from July 27, 2011, through November 30, 2011. The maximum financial obligation is three million dollars (\$3,000,000).

Should you have any questions or require additional information, please contact Rex Jones, Director of Contract Services of the Arkansas Department of Human Services, at (501) 682-6366.

Your consideration of this request is respectfully requested.

Sincerely,

A handwritten signature in black ink, appearing to read "R. Weiss".

Richard A. Weiss
Director

**SUMMARY SCHEDULE OF STATE AGENCY CONTRACTS
FOR ARKANSAS LEGISLATIVE COUNCIL REVIEW
AS REQUIRED BY ARKANSAS CODE 19-11-1006**

Out-of-State Contracts

SUMMARY SCHEDULE OF STATE AGENCY CONTRACTS

1 . Agency: Human Services Department

Contractor: McKinsey and Company Washington

Location: Washington

State DC

Total

Org. Term: 07/29/2011 06/30/2012 **Procurement** Emergency

Total After Review: \$3,000,000.00 **Funding** Federal - 50% - Medicaid CFDA 93.778-50%; Other - 50% - Blue Cross Blue Shield

Total Projected: \$4,000,000.00

Contract Number: 4600022402

<u>Org/A</u>	<u>Amount</u>	<u>Paid To</u>	<u>Objective</u>	<u>New Exp</u>
Original:	3,000,000.00		To provide funding for the Arkansas Health Care Payment Improvement Initiative. To move the health care financing system from fee-for-service to an episode-based bundled payment strategy. Aligning payment incentives for delivery of high quality, coordinated care and active management of existing conditions while retaining the actuarial risk of new conditions with Medicaid/private insurance carriers. The strategy is intended to move the entire Arkansas delivery system to a new and sustainable model of health care financing and stimulate needed system reform. Service area is Statewide.	