

# Insurance cost-curb deal again on pause

## State bid review faulty, exec says

By Andy Davis, Arkansas Democrat-Gazette

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For the second time, the state's employee benefits agency has scrapped the award of a contract aimed at holding down the cost of health insurance for public school and state employees.

The contract with the Department of Finance and Administration's Employee Benefits Division would provide "medical management services" and replace two contracts held by Aetna subsidiary American Health Holding that expire Dec. 31.

American Health Holding was among five companies that submitted bids for the new contract, and the finance department's Office of State Procurement posted an online notice last month that it intended to award the contract to American Health Holding.

The company's proposal called for it to be paid fees totaling \$27 million over three years.

But in a ruling on July 22, Procurement Director Edward Armstrong found valid a protest by competing bidder eQHealth Solutions, which contended that a bid review committee violated a state policy requiring each member to individually score the company's proposals.

Under the policy, the scores from each member must be averaged to arrive at a final score on the technical merits of each proposal.

EQHealth, which is based in Baton Rouge, discovered the apparent violation after it requested the score sheets from the Finance and Administration Department and was told in an email that "no such individual valuations were performed."

As a result of Armstrong's ruling, the department will appoint a new committee to conduct another evaluation of the company's proposals, department spokesman Jake Bleed said.

Rep. Kim Hammer, R-Benton and chairman of the Legislature's Joint Performance Review Committee, said he supports Armstrong's decision.

"I do believe that [Armstrong] did not feel that it passed the do-right test, and that's why he's taking the matter back under consideration."

The health plans cover more than 147,000 people, including 45,000 school employees, 26,000 state employees, retirees, and family members of employees and retirees.

Under its contracts with the Employee Benefits Division, American Health Holding guides care for employees who have expensive medical needs, reviews the appropriateness of hospital admissions, provides a phone number that employees can call to get health advice from a nurse and manages a weight-loss surgery program.

In a memo provided to the Joint Performance Review Committee earlier this year, the Employee Benefits Division credited the company with saving the plans \$6.6 million last year by providing “nurse coaches” to employees with chronic health conditions and saved \$20 million by guiding the care for transplant recipients, and cancer and nursing- home patients.

The company will be paid about \$6.5 million under the two contracts this year, Bleed said.

The technical scores from the evaluation committee were based on bidders’ responses to 135 questions about the companies’ staffing, procedures and capabilities.

In emailed responses to a reporter’s questions, Bleed said consensus scoring, rather than averaging committee members’ individual scores, was suggested by “a well recognized consultant” and allowed the committee “to speak as a whole, with a single combined score.”

“However, we did not update our posted policy to reflect this move to consensus scoring, and as a result, the vendors had a reasonable expectation of individualized scoring which was not met,” Bleed said in the email.

A similar bid solicitation last year drew responses from American Health Holding, eQHealth and eight other companies.

Instead of awarding a contract, however, state officials decided to throw out the submissions and issue another solicitation.

Bleed said problems with the first solicitation included “inconsistencies in how members of the [evaluation] committee scored competing vendors and significant variations in pricing among competing vendors.”

Testifying at a Joint Performance Review Committee meeting in March, Bob Alexander, who retired as the Employee Benefits Division director on Jan. 2, said the highest-ranking proposal last year was from a company that didn’t appear to be qualified to perform the work.

He told lawmakers the company received the lowest technical score, based on its answers to questions posed in the solicitation, but still “came out on top because they were very cheap.”

Mark Meadors, a consultant who helped draft the 2015 solicitation, said in a memo that the differences in technical scores were small and that the large differences in the companies’ proposed costs resulted from how they use technology.

“Each respondent is fully capable of handling the requirements,” Meadors wrote in the memo, which was presented to the committee.

During the evaluation conducted last year, a company's technical score made up 60 percent of its overall score, with the rest coming from a score based on its proposed cost.

In the more recent evaluation, the technical score made up 90 percent of the overall score, with 10 percent coming from the cost score.

"The quality of the service to be provided under this contract is paramount," Bleed said. "Given that importance, we wanted to lessen the importance of pricing in scoring the contract, and instead elevate the importance of overall medical quality."

Records show that the company that received the highest overall score during last year's evaluation was Redwood City, Calif., MedExpert.

It ranked eighth in its technical score, ahead of Arkansas Blue Cross and Blue Shield, and Irving, Texas-based HealthSmart.

MedExpert also proposed the lowest three-year cost: \$9.7 million over three years.

American Health Holding received the top technical score but ranked fifth overall because of its proposed cost — \$30.1 million, the second-highest among the companies.

St. Louis-based Centene Corp. proposed the highest cost, \$35.6 million. It had the second-highest technical score but ranked ninth in overall score.

EQHealth proposed a cost of \$23.4 million. It ranked No. 5 in its technical score and fourth in its overall score.

During this year's evaluation, American Health Holding again received the highest technical score and was ranked No. 1 in its overall score. Its proposed cost of \$27.5 million was the second-highest among the five bidders.

MedExpert again had the lowest cost, \$18.7 million, but came in last in its technical score and overall score.

EQHealth ranked second in overall points. It ranked third in its technical score and in its proposed cost, which was \$21.8 million.

Arkansas Blue Cross and Blue Shield had the highest proposed cost — \$32.4 million. It had the second-highest technical score and ranked No. 4 overall.

In a July 13 protest letter, attorneys for eQHealth said the difference in technical scores awarded to the companies was unusually large and "may have been used as justification for awarding the contract to a vendor whose price was so high."

The attorneys also said eQHealth "has reason to believe that certain individuals" at the Department of Finance and Administration "were unhappy with American Health's performance under its existing medical management contracts."

“This makes the award of the contract to American Health highly suspect,” the attorneys wrote. “It may be that one or more members of the Evaluation Committee or others involved in the evaluation and scoring process desired to award the contract to American Health.”

In a second letter, on July 20, the attorneys cited several parts of eQHealth’s proposal that they contended unfairly received fewer technical points than American Health Holding.

In his ruling, Armstrong said eQHealth should have higher scores on its responses to two questions, but that the additional points wouldn’t have made a difference in its ranking.

He said eQHealth did not provide any evidence to support its suggestion that the evaluation was biased in favor of American Health Holding.

“There is a presumption at law that public officials act lawfully, sincerely, and in good faith in carrying out their duties,” Armstrong wrote.

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