



Professional Compliance Auditing Services

Request for Proposal

September 24, 2004

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This RFP and attachments may be downloaded from our website located at:

www.wvpeia.com

**REQUEST FOR PROPOSAL
FOR
PROFESSIONAL COMPLIANCE AUDITING SERVICES**

Section 1

General Information

1.01 Introduction

Purpose

The purpose of this Request for Proposal (RFP) is to solicit proposals to perform audits related to compliance to the West Virginia Public Employees Insurance Agency (PEIA) benefit plan.

Background

The Public Employees Insurance Agency (PEIA) is an agency of the State of West Virginia which administers benefits for approximately 72,000 active employees and COBRA participants, 30,000 retired employees and surviving dependents and 104,000 eligible dependents, resulting in approximately 206,000 members being covered by the PEIA health plan. Total annual health premiums and capitations are approximately \$578 million.

A comprehensive fee-for-service health benefit plan, the Preferred Provider Benefit (PPB) plan, is offered to all eligible participants statewide (as well as members in other jurisdictions) and is administered by a third party. PEIA also offers managed care plan options statewide, and currently contracts with two managed care organizations. Approximately 10,000 policyholders are enrolled in managed care plans, and 93,000 are enrolled in the indemnity plan.

The PPB plan follows a modified indemnity design. Health care providers are reimbursed for a broad array of covered services. Participants are responsible for some cost-sharing, in the form of premiums, deductibles and copayments. The PPB plan also includes a lifetime maximum benefit provision, which must be tracked through various plan options.

PEIA employs a variety of techniques for the PPB plan that are characteristic of managed care programs:

- ❖ utilization review, consisting of prior approval for specific procedures and or out-of-network care, precertification of hospital inpatient admissions and certain outpatient procedures, case management of high utilizer and/or high dollar cases, disease management for diabetes and chronic/end-stage renal disease and care coordination through a predictive modeling program;
- ❖ a provider fee schedule employing the Resource-Based Relative Value Scale (RBRVS) which represents a discount from most providers' usual charges and which is enforced by statute prohibiting in-state providers from billing PEIA insureds for charges other than applicable copays, coinsurance, deductibles, and non-covered services;
- ❖ a prospective payment system (PPS) for inpatient hospital acute-care services;

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- ❖ an outpatient prescription drug plan that utilizes a nationwide network of participating providers throughout the state and elsewhere which have agreed to discount prices and which submit claims electronically to a separate third party administrator;
- ❖ a contracted network of hospitals and professional providers, both inside and outside the state, that perform organ transplant services for pre-negotiated rates and/or discounts; and
- ❖ a contracted network of hospitals and professional providers, nationally, for members who must obtain services outside West Virginia.
- ❖ Pre and postpayment reviews by TPA , including but not limited to DRG validation, McLesson's Code Review and CCI editing.

PEIA is in the process of developing an Outpatient Prospective Payment System (OPPS) for reimbursement of services provided by West Virginia hospitals. OPPS should be operational by January 1, 2005.

By law, all providers in West Virginia who provide health care services or supplies to PEIA members must accept assignment of benefits, and cannot bill PEIA patients for any amount by which their charges exceed the maximum fees established by PEIA for each service.

Benefits and premiums are set annually by the PEIA Finance Board, as recommended by the plan's actuary, based upon anticipated utilization and participation. Open enrollment is held each spring, for the new plan year which runs from July 1, through June 30, annually. The plan year and the state's fiscal year coincide.

State, higher education, and some public school employees participating in PEIA have the ability to pay medical and life premiums on a pretax basis through a premium conversion plan, which is an IRS approved Section 125 Plan.

Employees may elect to participate in Mountaineer Flexible Benefits which offers optional coverage for vision, dental, long and short-term disability, medical and dependent care spending accounts, and a legal plan (apost-tax benefit). These optional benefits are funded wholly by participating employees and are administered by a separate third-party. Premiums for these optional benefits are paid for on a pre-tax basis through a Section 125 Plan except where indicated.

1.02 Issuing Agent and Contacts

The issuing agent for this RFP is the PEIA. All communication, inquiries, and final proposals regarding this RFP **must** be submitted in writing to the following individual:

J. Michael Adkins, Deputy Director of Operations
West Virginia Public Employees Insurance Agency
1900 Kanawha Boulevard, East
Building 5, Room 1001, State Capitol Complex
Charleston, West Virginia 25305-0710
Telephone: (304) 558-7850, Ext. 230
Fax: (304) 558-2516

All correspondence **must** be clearly marked "PEIA - Auditing Services Proposal."

1.03 Time Requirements

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Notification of interest and all questions must be received no later than 4:00 p.m., Friday, October 8, 2004. All firms giving notification of interest will receive copies of all responses to inquiries from all vendors. Proposals are due no later than 4:00 p.m., Friday, October 22, 2004.

→ Time Requirements ←

RFPs Issued	Friday	September 24, 2004
Notification of Interest Form	Friday	October 8, 2004
Questions Submitted to PEIA	Friday	October 8, 2004
Proposals Due	Friday	October 22, 2004
Conduct Interviews of Finalists	-----	To be Announced – Optional
Selected Firm Notified	Friday	October 29, 2004
Contract Begins	Monday	November 1, 2004

1.04 Proposal Format and Submission (Mandatory)

Vendors must complete a response to all mandatory service specification requirements in order to be considered for selection. Each proposal must be formatted following the outline in Section 2.03 of this RFP. Failure on the part of the vendor to respond to specific requirements detailed in the RFP may be a basis for disqualification of the proposal.

An original and five (5) copies of your company's proposal and all accompanying material must be enclosed in a sealed package, plainly marked "PEIA – Auditing Services Proposal". **This package must be received no later than 4:00 p.m., Friday, October 22, 2004, at West Virginia Public Employees Insurance Agency, State Capitol Complex, Building 5, Room 1001, 1900 Kanawha Boulevard, East, Charleston, West Virginia 25305-0710.** If you choose to forward your proposals by mail, you should bear in mind that they must be mailed on a timely basis to assure receipt by the PEIA by the time and date specified. No bids will be considered if received after this time and date.

1.05 Contract Period

The contract period will be for one year with the option for two subsequent renewal years for a total of three years. The options will be negotiated at a later date to the mutual agreement of the parties.

1.06 Confidentiality/Public Record

PEIA requests that all information provided to prospective firms as part of this RFP, as well as all subsequent evaluations and discussions, be used exclusively for purposes of responding to the RFP and any subsequent discussions related thereto.

News releases pertaining to this RFP or contract resulting therefrom must not be made without prior approval of the State of West Virginia, and then only in coordination with PEIA.

Ownership of all data, materials and documentation originated and prepared for PEIA pursuant to the RFP shall belong exclusively to the State and be subject to public inspection in accordance with West Virginia State Code. Trade secrets or proprietary information submitted by the proposer may not be subject to public disclosure under the West Virginia Freedom of Information Act (FOIA); however, the contractor must identify the data or other materials to be protected and state the reason why protection is necessary. In the event of a FOIA request for materials, the proposer maintains as proprietary, the proposer will be responsible for defending the proprietary nature of the materials.

1.07 Incurred Costs

The State of West Virginia and PEIA are not liable for any expense incurred in the preparation, submission, or presentation of proposals.

1.08 Status as Registered Vendor

All respondents participating in the competitive bid process must complete and file the Vendor Registration and Disclosure Statement and remit an annual registration fee. These requirements should be completed by the anniversary date of the vendor fee program or as soon as possible as the vendor becomes aware of the requirement. However, all vendors competing for State business must be registered prior to the award of an actual purchase order or contract.

1.09 Terms of Contract

The performance of the contract awarded pursuant to this document is contingent upon adequate funding being appropriated by the West Virginia Legislature for such purposes. In the event the Legislature fails to appropriate sufficient funds for the continuation of the contract, then the contract will be canceled without penalty at the end of the fiscal year.

The terms of the contract must be consistent with the following:

- *Arbitration* – Any references to arbitration contained in the agreement are unacceptable. Disputes arising out of the agreement shall be presented to the West Virginia Court of Claims.
- *Hold Harmless* – Any clause requiring the Agency to indemnify or hold harmless any party is unacceptable. The vendor must indemnify and hold harmless the Agency.
- *Governing Law* – The agreement shall be governed by the laws of the State of West Virginia.
- *Taxes* – Provisions in the agreement requiring the Agency to pay taxes are unacceptable. As a State entity, the Agency is exempt from Federal, State, and local taxes and will not pay taxes for any Vendor including individuals, nor will the Agency file any tax returns or reports on behalf of Vendor or any other party.
- *Payment* – Any references to prepayment are unacceptable. Payment will be in arrears.
- *Interest* – Should the agreement include a provision for interest on late payments, the Agency agrees to pay no more than the maximum legal rate under West Virginia law. All other references to interest or late charges are unacceptable.
- *Recoupment* – Any language in the agreement waiving the Agency’s right to set-off, counterclaim, recoupment, or other defense is unacceptable.
- *Statute of Limitation* – Any clauses limiting the time in which the Agency may bring suit against the vendor, lessor, individual, or any other party are unacceptable.
- *Similar Services* – Any provisions limiting the Agency’s right to obtain similar services or equipment in the event of default or non-funding during the term of the agreement are unacceptable.

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- *Attorney Fees* – The Agency recognizes an obligation to pay attorney’s fees or costs only when assessed by a court of competent jurisdiction. Any other provision is invalid and considered null and void.
- *Assignment* – Notwithstanding any clause to the contrary, the Agency reserves the right to assign the agreement to another State of West Virginia agency, board or commission upon thirty (30) days written notice to the Vendor and Vendor shall obtain the written consent of Agency prior to assigning the agreement.
- *Limitation of Liability* – The Agency, as a State entity, cannot agree to assume the potential liability of a Vendor. Accordingly, any provision limiting the Vendor’s liability for direct damages or limiting the Vendor’s liability under a warranty to a certain dollar amount or to the amount of the agreement is unacceptable. In addition, any limitation is unacceptable to the extent that it precludes any action for injury to persons or for damages to personal property.
- *Right to Terminate* – Agency shall have the right to terminate the agreement upon thirty (30) days written notice to Vendor.
- *Termination Charges* – Any provision requiring the Agency to pay a fixed amount or liquidated damages upon termination of the agreement is unacceptable. The Agency may only agree to reimburse a Vendor for actual costs incurred or losses sustained during the current fiscal year due to wrongful termination by the Agency prior to the end of any current agreement term.
- *Renewal* – Any reference to automatic renewal is unacceptable. The agreement may be renewed only upon mutual written agreement of the parties.
- *Insurance* – Any provision requiring the Agency to insure equipment or property of any kind and name the Vendor as beneficiary or as an additional insured is unacceptable.
- *Right to Notice* – Any provision for repossession of equipment without notice is unacceptable. However, the Agency does recognize a right of repossession with notice.
- *Acceleration* – Any references to acceleration of payments in the event of default or non-funding is unacceptable.
- *Amendments* – All amendments, modifications, alterations or changes to the agreement shall be in writing and signed by both parties.

1.10 Right to Reject

The State reserves the right to reject any and all proposals submitted and to request additional information from all proposers.

1.11 Proposal Included as Part of Agreement

PEIA anticipates making this RFP and respondent’s proposal part of the actual contractual agreement by incorporation by reference.

Section 2

Requirements

Request for Proposal for Professional Auditing Services

2.01 *Scope of Work*

The PEIA is now accepting proposals to perform audits related to PEIA's PPB Plan benefits, members and providers. The scope of the audits requested by PEIA will vary and may include those listed below.

A. Benefits

1. Perform benefit specific audits of claims processed by PEIA's third party administrators to assure correct application of deductibles, copayments, coinsurance, out-of-pocket maximums, fee schedules, and coverage. As requested, a specific audit may encompass a single or multiple compliance issues.
2. Perform audits of PEIA's third party administrator's customer service staff to assure that PEIA members are receiving accurate information in a timely manner.
3. Perform audits to confirm that PEIA's third party administrator is providing accurate statistical reports.

B. Members

1. Perform audits to assure that PEIA's third party administrators have correctly interpreted PEIA's eligibility records and loaded them onto the claim processing system accordingly, i.e. confirm eligibility, primary vs. secondary coverage, etc. .

C. Providers

1. Perform provider-specific audits which may be benefit-specific or may be comprehensive of a provider's complete practice. The scope of these audits will vary; some may include a full review of the claim and provider's records (on-site or through chart review) to assure that payment received by the provider was warranted as per the PEIA PPB Plan guidelines.
2. Perform audits to assure correct process is followed for determining network discounts and allowances for out-of-state providers.
3. Perform audits to determine that the correct network is utilized for out-of-state providers.
4. Perform audits to determine timeliness of claims payment and other provider satisfaction issues.
5. During audit process and upon completion, PEIA expects to receive user-friendly status reports with recommendations for improving processes. Amounts to be recovered should be clearly defined.
6. Review and respond (or provide recommendations) to appeals related to audits.

2.02 *Minimum Requirements*

- A.** The proposing company must meet all requirements imposed by West Virginia and other local laws, rules, and regulations, including not having a delinquent tax liability of any nature with the State of West Virginia. Vendors must submit with the proposal a "Debt Affidavit" obtained from the State of West Virginia Department of Tax and Revenue. If bidding a joint proposal, a "Debt Affidavit " must be completed for both vendors. The point of contact at the WV Department of Tax and Revenue is Ms. Gail Stricklen at (304) 558-8639.
- B.** Each bidder responding to this request for proposal **is required** to submit a litigation bond in the amount of \$25,000.00, made payable to the State of West Virginia Public Employees Insurance Agency. This bond must be issued by a surety company licensed to do business in

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the State of West Virginia with the West Virginia Insurance Commissioner, on a form acceptable to the State, and countersigned by a West Virginia Resident Agent. The only acceptable alternative forms of the bond are (1) a company certified check (not an individual) and (2) a cashier's check.

The purpose of the litigation bond is to discourage unwarranted or frivolous law suites pertaining to the award of a contract from this request for proposal. Secondly, the bond provides a mechanism for the State of West Virginia, the Agency, it's officers, employees, or agents thereof to recover damages, including (but not limited to) attorney fees, loss of revenue, loss of grants or portions thereof, penalties imposed by the federal government and travel expenses which may result from any such litigation. A claim against the bond will be made if the vendor contests the award in a court of competent jurisdiction and the grounds are found to be unwarranted or frivolous based on the facts of the award or applicable law as determined by the court.

The bond or alternate form must remain in effect for two years from the proposal submission date. After six (6) months, each vendor may request, and the State anticipates granting, a release of the litigation bond. However, the vendor will be required to provide a release (signed and notarized in a form that is acceptable to the State) prior to release of the bond which states that the vendor will not sue.

PEIA will waive the litigation bond if the bidder submits in writing on a form acceptable to PEIA a complete waiver of any rights to challenge this RFP/award in any jurisdiction or venue. The only acceptable alternative to the litigation bond is the submission of a signed Waiver of Legal Challenge

- C. The proposing company must agree to comply with all "Terms of Contract" listed in section 1.09.
- D. Proposal staffing must include at least one (1) registered nurse that will be available for assignment to PEIA audits.
- E. The proposing company must demonstrate experience in audits that require compliance with Medicare's reimbursement guidelines.
- F. Audits will be requested by PEIA. Specifications for the audit will be provided at the time of the request. The proposing company must agree to initiate the requested audit within thirty (30) calendar days of the request.
- G. Proposing company must submit proposals as follows:
 - 1. five (5) bound copies of technical proposal and one (1) unbound original of the technical proposal;
 - 2. five (5) bound copies of cost proposal and one (1) unbound original of the cost proposal; and
 - 3. technical and cost proposals must be prepared as separate documents and submitted under separate cover.

2.03 Required Contents of Technical Proposal and Format

For any bid to be considered, the bidder **must** submit the following information in the order stated:

- A. An introductory section should include the name, address, and telephone number of the firm; name and telephone number of the contact person; and the date of submission of the proposal.

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- B. The Debt Affidavit provided by the West Virginia Department of Tax and Revenue.
- C. A copy of the Litigation Bond that was surrendered to the WV PEIA or the Waiver of Legal Challenge.
- D. A statement affirming the vendor's willingness to comply with the "Terms of Contract" listed in Section 1.09 of this Request for Proposal.
- E. A description of the services to be provided as identified in section 2.01 (Scope of Work).
- F. A description of similar clients and services provided within the last twelve months (completed or in process). For each such study list the name of the client along with a contact name and telephone number.
- G. Resumes for the key personnel who will be assigned to the PEIA engagement.
- H. A discussion that provides evidence of the bidder's knowledge of the State, Regional and National health care market.

2.04 Cost Proposal Format

In a separately sealed envelope clearly marked "**cost proposal**", the proposing firm should include the hourly rate and the projected distribution of work for audit team members under normal audit conditions. In addition to the hourly rate audits some audits may be performed on a contingency fee basis. Please also provide your contingency fee for such an audit.

Bidders should use the Audit Bid Form located under Appendix B for submission of the cost proposal

2.05 Time Requirements

The above material is required to be received by 4:00 p.m., Friday, October 22, 2004, for a proposing firm to be considered.

Firms that do not meet these timeframes will be disqualified.

Section 3

Evaluation of Proposals

3.01 Evaluation Process

The following process will be used to evaluate vendor proposals:

- A. Responses received within the time frame and in the form specified by the guidelines will first be evaluated to confirm that all proposal sections, as detailed, have been provided in the bid response. Any vendor failing to provide all required information and an original and five (5) copies will be eliminated from further consideration.
- B. Members of the review committee will evaluate each proposal submitted in response to these bid
- C. Members of the review committee will evaluate and collectively score each proposal. Scores must be awarded based on a consensus of the review committee.
- D. The review committee will consist of PEIA staff to include two (2) members of the Insurance Programs and Services division, two (2) members of the Financial Services division, and one (1) member of the Operations division.
- E. Each proposal will be reviewed and points awarded to all items indicated on the **PROPOSAL EVALUATION FORM**. Any proposal component may be awarded points not to exceed the maximum specified on the **PROPOSAL EVALUATION FORM**. The total technical score available is 70 points. Bidders failing to obtain a minimum technical score of 50 points will be disqualified.
- F. All points awarded for each proposal component will be summed to obtain a total figure.
- G. Vendor proposals which include more than one cost scenario will be evaluated as separate proposals to obtain total points for the proposal under each pricing plan.
- H. PEIA, at its option, may elect to conduct interviews with the top rated bidder(s). There are no points specifically assigned to the interview. The purpose is to confirm and/or clarify responses to the RFP.

3.02 State's Rights

Vendors should note the State reserves the right to modify this evaluation structure if it is deemed necessary, or request additional information from vendors. It is the intention of the State to select the most qualified and cost-effective proposal based on the evaluation of the vendor's responses to this RFP. However, the State reserves the right to accept or reject any or all of these proposals, in whole or part. The State reserves the right to ask vendors for additional information and/or an oral presentation to clarify their proposals.

The sum of the scores for each of criteria A through E will constitute 70% of the overall evaluation criteria, based on a total available score of 100 points. Each proposal will be independently evaluated on criteria A through E by two or more qualified individuals. Their raw scores will be averaged to obtain a composite score. Any proposal with less than 50 of the potential 70 points for technical ability will be disqualified.

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The price criteria (F) will be evaluated in terms of absolute dollars and will constitute 30% of the overall evaluation criteria. Each proposed contract price will be evaluated by use of the following formula:

$$\frac{\text{Lowest price of all proposals} \div \text{Price of proposal being evaluated}}{\phantom{\text{Lowest price of all proposals}}} \times 30 = \text{Price Score}$$

After the technical and price evaluation have been performed the two scores will be added together to constitute the final score for each proposal.

Technical Score:	+ Price Score:	= Total Score:
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SELECTION CRITERIA

RFP for Professional Auditing Services

Proposing Firm	Date of Review
A. Organization size, structure and location of branch offices of firm that are to be utilized in the performance of contract.	Maximum points 5
B. Qualifications of staff to be assigned work.	Maximum points 25
C. The firm's demonstration of experience and understanding of the work to be performed:	Maximum points 20
D. The firm's understanding and use of technology:	Maximum points 10
E. Prior experience of the assigned personnel in auditing providers and third party administrators:	Maximum points 10

Criteria	Score
A	
B	
C	
D	
E	
Total = Sum (A:E)	

Appendix

A

Request for Proposal for Professional Auditing Services

NOTIFICATION OF INTEREST

(Due Date: October 8, 2004)

Firms interested in submitting a proposal must return this "Notification of Interest" by October 8, 2004.

To: J. Michael Adkins, Deputy Director of Operations
West Virginia Public Employees Insurance Agency
1900 Kanawha Boulevard, East
Building 5, Room 1001, State Capitol Complex
Charleston, West Virginia 25305-0710
Telephone: (304) 558-7850, Ext. 230
Fax: (304) 558-4969

From:			
	FIRM		
	MAILING ADDRESS		
	CITY	STATE	ZIP
	NAME AND TITLE OF INDIVIDUAL		
	TELEPHONE NUMBER		
	FAX NUMBER		

Please consider this Notification of Interest intent to submit a proposal to the RFP issued by the Public Employees Insurance Agency of the Department of Administration for professional auditing services for PEIA's Preferred Provider Benefit Plan.

SIGNED	DATE
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Appendix B

Request for Proposal for Professional Auditing Services

COST PROPOSAL BID FORM

Name of Proposing Firm:

Hourly Rates and Projected Work Distribution Assigned Staff:

	Hourly Rate	Projected Distribution
Partner	\$	
Senior Manager	\$	
Staff Accountant	\$	
Administrative Staff	\$	
Total	N/A	100%

The hourly rates listed are considered firm for Fiscal Year 2005. Ancillary expenses (travel, meals, lodging, etc.) are to be included in proposed hourly rates.

Contingency Fee Percentage _____