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Jessica Patterson
Director, Office of State Procurement

Kristi Putnam
Secretary, Department of Human Services
Sent via email: jessica.patterson@arkansas.gov; kristi.putnam@dhs.arkansas.gov

Re: RFP 710-25-001 Protest of Anticipation to Award

Ms. Patterson and Secretary Putnam:

We are writing you to protest the Anticipation to Award issued by the Arkansas Department of Human Services (DHS) related to the Request for Proposal 710-25-001 (the RFP) for Actuarial Services. The Anticipation to Award was published at 2:00 p.m. on Friday, January 10, 2025, and this protest is being submitted on Thursday, January 23, 2025, which is within the 14-day protest period set by statute.

ACTUARIAL SERVICES BACKGROUND

For the past seven years, Milliman has served DHS with a robust actuarial team with extensive Medicaid and Commercial experience. No other professional services firm in the country has the national Medicaid or Commercial experience as Milliman, and no other firm has the same level of direct knowledge of the actuarial requirements to serve Arkansas' program for Medicaid beneficiaries. Said differently, Milliman's proposed actuarial team includes the only two actuaries in the country who have ever certified health managed care capitation rates in Arkansas for the comprehensive program for individuals with severe behavioral health or developmental and intellectual disabilities.

In the responses evaluated by DHS for the Actuarial Services RFP, it is clear the other vendors' bids are inconsistent with the level of service and expertise needed by DHS to fulfill the contract terms, as it relates to both technical scoring and cost scoring.

PROPOSED STAFFING

We are acutely aware of the level of expertise and the involvement of senior leadership required for this work after collaborating with DHS for the past seven years. At DHS' request, our senior and mid-level leadership is involved throughout rate development and other analyses and participates in regular meetings with DHS, payers, providers, and other stakeholders. This approach has allowed for an efficient use of resources by minimizing the potential for rework and by ensuring Milliman decision-makers with the appropriate level of experience can answer questions and provide insight to DHS in real-time instead of junior staff using such meetings as a means of training paid for by DHS.

The cost proposal published with the RFP included an hour distribution that followed this historical approach and can be summarized as 12.6% of hours allocated to "Principal / Lead," 49.3% of hours allocated to "Senior / Consultant," and 38.1% of hours allocated to "Junior / Analyst." The following table demonstrates how Milliman responded consistently with this historical approach to staffing requested by DHS to meet the technical qualifications of the RFP, while the two other vendors proposed a materially different distribution of hours. Table 1 below shows the distribution of hours from the RFP pricing sheet and for each vendor with a scored price sheet.

Our assignment of each vendor's staffing levels in the table is based on the position name, bill rate, and expected presence of actuarial credentials. Specifically, we note that any actuarial professionals aligned to the "Senior / Consultant" category should at a minimum have their Associateship in Society of Actuaries (ASA), which is consistent with DHS' qualification expectations under the current contract. Additionally, we note that while we introduced detailed staffing categories at DHS' request, the aggregate cost and approach of our response is consistent with our current contract and scope.

Table 1 Summary of Hour Distribution by Respondent RFP 710-25-001 Actuarial Services				
	RFP	Milliman	Guidehouse	Deloitte
Principal / Lead	12.6%	12.6%	9.2%	10.5%
Senior / Consultant	49.3%	49.3%	28.9%	27.3%
Junior / Analyst	38.1%	38.1%	61.9%	62.2%

As shown in the highlighted row, both Guidehouse and Deloitte assumed a materially higher number of hours would be provided by Junior / Analyst staff. This is unrealistic given the technical requirements of the RFP, DHS expectations, and historical needs. Not only does this demonstrate a lack of understanding of the technical requirements and create a clear disconnect between the submitted technical bid and cost bid, but it also artificially lowers the cost bid submitted. As a result, the evaluation of the cost component is inherently flawed and does not represent what DHS can reasonably expect to pay each vendor to achieve acceptable results under this contract.

Furthermore, we have more than 160 *credentialed actuaries* focused on state Medicaid work. While other vendors may only have a handful of actuaries available to serve their one or two current state clients, our depth of qualified expertise allows us to currently certify capitation rates in nearly 20 states (about half of all states with full-risk Medicaid managed care programs). Based on direct experience with DHS, we have seen cases where our qualified team of actuaries found mistakes performed by other vendors that would have resulted in DHS paying millions of dollars to the wrong providers.

MINIMUM QUALIFICATIONS

Section 2.3 of the RFP indicates the “key actuarial and consulting personnel... **must** have a minimum ten (10) years’ professional experience as the actuary of record in commercial and Medicaid Managed Care rate setting in at least three (3) states.”

We note Milliman’s response to the Client History Form requested to validate this requirement includes five states (Florida, Minnesota, Mississippi, New Hampshire, Wisconsin) where the proposed actuarial team has been part of the rate certification team for the past 10 years. We also included Arkansas since Milliman is the only firm to have ever certified capitation rates for the Arkansas PASSE program. In Table 2 below, we also include seven other states where other Milliman personnel have certified Medicaid capitation rates for the past 10 continuous years.

While much of the proposals submitted by Guidehouse and Deloitte are redacted, we listed the states and relevant dates where each respondent has certified capitation rates based on our industry knowledge and public information.

Based on information available to us, it appears Deloitte does not have any state where they have certified capitation rates for 10 years or more. We note they recently began certifying capitation rates in Georgia (where they took over the Guidehouse contract in 2021). We also note that while Deloitte performs actuarial work in Maine, there is no comprehensive managed care program in Maine, so it would not be possible to certify capitation rates there.

Similarly, we note Guidehouse currently certifies Medicaid capitation rates in Oklahoma, but that program only began in April 2024. While Guidehouse may have historical experience in Georgia and West Virginia, we note it would be misleading to include these since both states chose to hire other actuarial contractors to certify the capitation rates (Deloitte in Georgia and Milliman in West Virginia). Additionally, we note Figure 7 of the Guidehouse proposal can also be misleading by noting “Actuarial Consulting Services” in 14 states. It should be clarified for DHS that this does not represent developing actuarial rate certifications for all of these states. In particular, we call attention to the fact that Arkansas and Mississippi are included in that figure, while Milliman is the only actuarial firm to have ever certified comprehensive managed care rates in either of these states.

In Table 2, we denote states where the RFP respondent has at least 10 years certifying capitation rates with three asterisks (***)

Table 2 List of Medicaid Capitation Rate Certifications by Respondent RFP 710-25-001 Actuarial Services		
Milliman	Guidehouse	Deloitte
Arkansas 2018 to present	Georgia*** c. 2007 to 2021	Georgia Began 2021
Florida*** 1999 to present	Oklahoma Managed Care Started April 2024	New York Began c. 2017
Minnesota*** 1992 to present	Tennessee*** c. 2004 to present	Maine No comprehensive managed care
Mississippi*** 2008 to present	West Virginia Ended 2022	
New Hampshire*** 2014 to present	Kentucky* Ended prior to 2019	
Wisconsin*** 2015 to present	Kansas** ???	
Hawaii*** 2005 to present		
Illinois*** 1998 to present		
Indiana*** 2000 to present		
Michigan*** 1997 to present		
Ohio*** 2015 to present		
South Carolina*** 2008 to present		
Washington*** 1996 to present		

Red indicates the states where the Milliman key personnel proposed for the AR DHS contract have been part of the actuarial certification team.

* Kentucky is listed in Figure 5 of Guidehouse’s response, but Milliman has certified capitation rates in Kentucky since 2021 and Wakely was the prior vendor that certified 2020 and 2021 capitation rates.

** Kansas is listed in Figure 5 of Guidehouse’s response, but we do not have knowledge of them being the current certifying actuary and publicly available contracts indicate their contract ended in 2017. We separately note the CBIZ proposal indicates CBIZ has been the actuary of record in Kansas since 2016.

*** Indicates states where the respondent has at least 10 years’ experience certifying capitation rates

TECHNICAL SCORING

According to Section 3.1 of the RFP the individual scoring for each Evaluation criteria is based on a Scoring Description that includes a quality rating (0 to 5), a quality of response (unacceptable to excellent), a description, and a confidence in proposed approach (no confidence to very high). Table 3 below shows the total technical score for each respondent and the implied average on the quality rating scale of zero to five.

Table 3 Technical Score by Respondent RFP 710-25-001 Actuarial Services		
Respondent	Score	Average (0 to 5)
Guidehouse	469.82	3.36
Deloitte	450.31	3.22
Milliman	524.53	3.75
Optumas	415.40	2.97

Milliman's raw score of 3.75, along with its relativity to other respondents, is inconsistent with the experience of each respondent noted in Table 2, the direct knowledge of Arkansas managed care, the cost proposal staffing assumptions, and previous feedback received from DHS. For the past seven years, Milliman has served DHS with consistently very high feedback directly from senior DHS leadership. The technical score of 3.75, partway between "acceptable" and "good," is not consistent with the direct feedback received in other conversations. Time and again, key program leaders at DHS have indicated we provide "Excellent" (a technical score of 5) work and insight, and that we are invaluable to the program management.

COST SCORING

The approach to cost scoring uses a defined number of total hours and asks bidders to indicate their cost per hour by position level. We note two reasons why this approach is inherently flawed:

1. This scoring allows prospective bidders to inappropriately move hours to lower staff levels and artificially lower the cost bid only for DHS to subsequently likely be charged more in total in order to achieve acceptable results. As demonstrated in Table 1, there is an inconsistency between the level of staffing support requested by DHS in the RFP and the amount included in the cost component.
2. The scoring approach of only using billing rate per hour does not capture the actual value and efficiency provided to DHS by each respondent.
 - a. The existing and proposed Milliman team has direct experience certifying capitation rates for the Arkansas Medicaid program and managing the ARHOME QHP model. We have utilized and proposed multiple subject matter experts with the required depth of knowledge in the Medicaid and Commercial markets, which are unmatched in the industry. Additionally, DHS has routinely relied on the national experience of the broader Milliman team to understand CMS regulations, inform program decisions, and navigate the ever-changing Medicaid program. The value provided in one hour is simply not comparable across the proposed respondent teams.
 - b. The proposed Milliman team's experience, both nationally and in Arkansas, allows for a more efficient use of time. All proposed staffing levels have direct experience setting Arkansas capitation rates and can therefore perform tasks efficiently and make sure DHS funds are appropriately spent on senior-level strategic priorities. Again, the distribution of hours in Table 1 demonstrates that the other respondents will need to spend a greater portion of their time and DHS resources performing technical work and leave less time and resources for the strategic support DHS requested in the RFP.
 - c. Lastly, Milliman has more qualified actuarial staff who specialize in Medicaid than any other vendor in the country. As noted in our original proposal, we have more than 160 *credentialed actuaries* focused on state Medicaid work. While other vendors may have a handful of actuaries available to serve their one or two state clients, our depth of qualified expertise allows us to currently certify capitation rates in nearly 20 states. Based on direct experience with DHS, we have seen cases where our qualified team of actuaries found mistakes performed by other vendors that would have resulted in DHS paying millions of dollars to the wrong providers. The value of saving millions of dollars is not appropriately captured by the cost scoring system in the RFP, and therefore, the true value to DHS is not reflected.

CONCLUSION

In the context of the information provided above, we ask DHS to reconsider the scoring and subsequent award from the RFP in accordance with AR Code 19-11-244 item (a)(4)(iv), specifically that 1) "the procurement process involved responses that were... submitted in bad faith" and 2) "(t)he director or the procurement agency failed to adhere to the rules of the procurement as stated in the solicitation, and the failure to adhere to the rules of the procurement materially affected the contract award."

- DHS requested a certain level of expertise, experience, and strategic support that DHS is not going to receive from the proposed staffing plan and cost structure in the bids submitted by Guidehouse and Deloitte.

- There is a clear mismatch between the story told by the other respondents and their actual experience. As noted in Table 2, the qualifications provided do not appear to be accurate based on information publicly available and DHS should seek verification by requesting rate certification reports for comprehensive managed care programs in the states where other vendors' proposals indicate recent experience.
- The other vendors did not follow the bid instructions and DHS intentions when they significantly changed the mix between the lower level and senior level staff in the cost bid, creating a clear mismatch between what DHS requested and what the respondents are proposing.
- The level of Milliman scoring does not reflect historical and stated experience from DHS and other states as outlined in Table 3.

Please note, the assertions in this letter are based on the redacted versions of the RFP responses posted by DHS procurement and other publicly available information. It is possible that redacted information would provide additional insight into some of these assertions and could affect the conclusions presented in this letter.



Thank you for your consideration in this matter. We look forward to continuing to serve DHS.

Sincerely,



Michael C. Cook, FSA, MAAA
Principal and Consulting Actuary



Greg J. Herrle, FSA, MAAA
Principal and Consulting Actuary

MCC/GJH/bl

cc: Janet Mann, DHS
Elizabeth Pitman, DHS
Russ Ackerman, Guidehouse