

Actuarial Services Contract

Presented by:

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Background

- At the June 18, 2019 Board of Trustees meeting, the Board approved a contract with Lewis & Ellis for a one year Not-to-Exceed (NTE) base amount of \$101,250.00, and two one-year optional renewals, for a total NTE of \$303,750.00.
 - Base Term, July 1, 2019-June 30, 2020 - \$101,250.00
 - Option Year 1, July 1, 2020-June 30, 2021 - \$101,250.00
 - Option Year 2, July 1, 2021-June 30, 2022 - \$101,250.00
- At the February 18, 2020 Board meeting, MHBE staff requested an increase to the base year NTE of \$121,750, taking the year 1 NTE from \$101,250 to \$223,000, and the total contract NTE from \$303,750 to \$425,500.
- The Board declined to increase the NTE and directed MHBE staff to revisit this issue at the April Board meeting.

Activities Since April Board Meeting

Discussions with Lewis & Ellis

- MHBE staff had additional discussions with Lewis & Ellis which led to an agreement that some work performed during the base year could be paid upon completion of that work during the first option year. MHBE staff also worked with L&E to pair down costs.
- As a result, a base year NTE increase of \$30,000, rather than the \$121,750 requested at the April Board meeting, would be sufficient to cover a second reinsurance report for 2020.

Discussion with the Finance Committee

On March 26th, MHBE staff discussed three options with the Finance Committee for how to proceed with the Lewis & Ellis base year, summarized below.

1. Increase NTE by \$30,000 (total cost = \$50,000) for a complete second reinsurance report to support finalization of 2021 parameters using most recent 2019 data, and including iterative modeling with MHBE and MIA.
2. Do not increase NTE and use \$20,000 available in base contract year to perform minimum analysis of 2019 data for finalization of 2021 program parameters.
3. Do not increase NTE. Do not do refresh dampening factor analysis for 2021 using most recent 2019 data.

Finance Committee Recommendations

On March 26th, after a comprehensive discussion with MHBE staff, the Finance Committee voted to make the below recommendation to the Board.

- Increase the base year NTE by \$30,000 for a reinsurance report to support finalization of 2021 parameters using the most recent 2019 data and incorporating the projected impact of COVID-19.
- This would increase the total contract NTE from \$303,750 to \$333,750.

Note: SB 124 requires that MHBE submit a study by December 20, 2020, on the implementation and impact of an individual market state subsidy program. MHBE staff will present on this legislation and provide recommendations regarding executing the first option year and the related NTE at the May Board meeting.

Board Action Required

MHBE requests the Board's approval to increase the base year Actuarial Services Contract NTE by \$30,000, to \$131,250.00.