



DST POLICIES AND PROCEDURES

DST Reference:	SHP-POL-2001-SHP
Title:	Contract Procurement Policy and Procedure
Chapter:	Contracting and Compliance
Current Effective Date:	September 12, 2022
Original Effective Date:	October 5, 2007

Applies to: North Carolina Department of State Treasurer - State Health Plan Division

Keywords: Amendment, Contract, Invitation for Bid (IFB), Procurement, Purchase, Request for Information (RFI), Request for Proposal (RFP), Request for Quote (RFQ), and Requisition to Contract (RTC).

Purpose

The purpose of this Contract Procurement Policy and Procedure is to establish a standard procedure for the procurement of goods and services for the North Carolina State Health Plan for Teachers and State Employees ("Plan"). This Policy is intended to ensure that the Plan is compliant with the North Carolina General Statutes; the rules promulgated by the North Carolina Department of Administration, Division of Purchase and Contract (DOA P&C); the North Carolina Department of Information Technology, Statewide IT Procurement Office (DIT); Department of State Treasurer (DST) Procurement and Contracting policies (FOD-POL-9010-ALL) and (FOD-POL-9020-ALL); and the policies and rules adopted by the Plan.

Policy

It is the policy of the Plan to procure goods and services only as authorized, and in a fair and impartial manner. This policy is intended to comply with the following higher-level guidance when applicable to the Plan: N.C.G.S. Ch. 143, Art. 3, N.C.G.S. Ch. 135, Art. 3B, N.C.G.S. Ch. 143B, Art. 15; 9 N.C.A.C. 6B, 1 N.C.A.C. 5; E.O. 24, (Roy Cooper), (2017), and other Executive Orders or Directives as applicable; and any applicable rule, practice, procedure, or policy adopted by DST.

Pursuant to N.C.G.S. § 135-48.34, the Plan is exempt from DOA P&C oversight under N.C.G.S. Ch. 143, Art. 3 for contracting related to "[t]he design, adoption, and implementation of the preferred provider contracts, networks, and optional alternative comprehensive health benefit plans, and programs available under the optional alternative plans..." However, the Plan is still subject to DIT oversight for IT-related purchases under N.C.G.S. § 143B-1350.

Definitions

Agiloft: The Plan's customized and security certified contract management system, developed to facilitate the drafting, routing, tracking, approval, and storage of contracting documents.

Amendment: A written document detailing a formal change, alteration, or modification to an existing contract, leaving the general purpose and effect of the contract intact.

Best and Final Offer (BAFO): A formal document that is used to solicit more favorable/competitive responses on one or more elements of Vendors' proposals during the procurement process. BAFOs may be issued to one or more Vendors.

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Contracting Team: Staff from the Contracting and Compliance Section of the Plan who participate in and lead the contracting process. Members include the Director of Contracting and Compliance (DCC), the Senior Manager of Contracting (Manager), Contracting Agents (CAs), Privacy and Security Officer (PSO), and Administrative Coordinator (AC). The Sr./Project Coordinator (PC) in the Project Management section provides assistance to the Contracting Team.

DocuSign: Automated web-based tool used to route contractual documents through the signature approval and signature execution process.

Invitation for Bid (IFB): A formal written solicitation document used to seek competition and obtain offers for easily defined goods and simple services. This document contains the specifications, instructions to Vendors, terms and conditions, and any additional information the Vendor may need to provide a bid response. This document is typically used for open market bids, agency specific term contracts, and statewide term contracts. An IFB is normally issued on a "low bid meeting specifications" basis.

Plan Vendor: A supplier, company, firm, corporation, partnership, individual, or other entity contracted to do business with the Plan.

Procurement: A set of activities performed in the acquisition of a good or service.

Requisition to Contract (RTC): Initiates the contracting process, and is used to document the business need, authority, budget, and authorization to purchase and contract for goods and services.

Request for Information (RFI): An informal document used to request information from Vendors about products or services when an agency does not have enough information readily available to write an adequate solicitation document. The RFI should provide as much information as possible to define the type of information that is being sought. While information gathered from Vendors' responses to the RFI may be used to enhance the Plan's future procurement, the RFI should state that it is not a request for offers and that no award will result. Since the RFI is not a solicitation for procurement, the State's terms and conditions are not included.

Request for Proposals (RFP): A formal, written solicitation document used for seeking competition and obtaining offers for more complex services or a combination of goods and services. This document contains technical requirements and/or specifications, instructions for submitting proposals, evaluation criteria, terms and conditions, a cost sheet, and any additional information the Vendor may need to provide a proposal response.

Request for Quotes (RFQ): A formal written solicitation used for non-advertised procurements. It contains instructions for Vendors, specifications, a cost sheet, and terms and conditions, and may be used for a waiver of competitive bidding or a single one-time purchase as allowed by State law.

Silent Period: The period from the time a solicitation is posted or issued for receipt of responses until after the Contract has been awarded and requested Vendor debriefing meetings have been held or protests resolved, or withdrawal of the solicitation. During this period (other than during Evaluation Committee meetings or as authorized by the DCC or Manager), all DST employees, Board of Trustee (BOT) members,

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outside consultants or Plan Vendors, Vendors, and others involved in the RFP process are prohibited from discussing the procurement.

Vendor: Supplier, bidder, proposer, company, firm, corporation, partnership, individual, or other entity submitting a response to a solicitation.

Roles and Responsibilities

Note: Where permissible and approved, the below-named individuals may designate another employee to carry out a role or responsibility on their behalf. Individuals should seek guidance and approval from their supervisor and Manager before such designation.

Administrative Coordinator (AC): Supports the Contracting Team by routing contract documents through DocuSign for approval and execution; monitoring attachment and contract records created by the BOs to initiate the drafting process; working with Vendors to redact contract documents; loading contract documents into the system; issuing Purchase Orders through E-procurement for awarded contracts; and making small purchases.

Business Owner (BO): Initiates the procurement process by identifying a Plan need and completing an RTC. The BO, in consultation with the Contracting Team, is responsible for day-to-day oversight and management of a business function or contract in addition to developing the technical requirements or specifications, budget, deliverables, performance guarantees, and cost sheet. A Director must review and approve actions taken by the BO if the BO is not a Director.

Chief Information Officer (CIO): The Deputy Treasurer of the Information Technology Division. The CIO has oversight authority of expenditures related to IT goods and services ([FOD-POL-9010-ALL](#)).

Contracting Agent (CA): Assists the Manager in facilitating the evaluation process, Vendor communications during the procurement process, and any consultations or approvals required by outside agencies to contract. At the Manager's direction, the CA facilitates the development, approval, and execution of Letters of Agreement, contract amendments, Memorandums of Agreement, or Memorandums of Understanding. The CA verifies a Vendor's registration with the Secretary of State, debarment status, HUB status, and annual submission of required contract documents such as insurance certificates and performance bonds.

Sr./Project Coordinator (PC): Serves as the Agiloft Administrator, loads contract documents into the system, monitors attachment and contract records, maintains the records retention schedule, and serves as backup to AC's duties under this policy.

Contracting Team: Employees of the Contracting and Compliance Unit serve as a resource and guide to all Plan employees regarding the procurement process, contract development, and contract management; assists and collaborates with the BO in the procurement of a good or service.

Director: Reviews the RTC with the BO, evaluates the business opportunity for the value it may add to the Plan or its Members, and approves the business opportunity for further consideration or works with the

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BO to further develop the request. Director must be a Plan Leadership Team member. A Director must review and approve actions taken by the BO if the BO is not a Director.

Director of Contracting and Compliance (DCC): Oversees the Contracting and Compliance Unit; ensures that the Plan adheres to all laws, regulations, and Plan and DST policies during the procurement process; and ensures that the Plan only contracts as authorized.

Executive Administrator (EA): Provides overall strategy and guidance for the Plan, and ensures that all Plan contracts are consistent with Plan strategy and fiscally responsible. Only the EA, together with the State Treasurer, may legally bind the Plan.

Information Security Manager (ISM): During procurement and throughout the life of a contract, reviews any potential Vendor relationships that involve Plan data to verify that the proposed Vendor meets DST's data security standards.

Legal Counsel: Reviews all contracts, solicitation documents, amendments, and related documents for regulatory and legal compliance and to assess and manage risk. Legal Counsel advises the BO and Contracting Team if the purpose or terms of a contract are contrary to State or Plan policy, or otherwise not in the Plan's best interest. Legal Counsel negotiates and resolves issues with Plan Vendors as needed or as requested by the BO or Contracting Team and coordinates the Plan's response to protests of contract awards. Legal Counsel may include the DCC, the Plan's Assistant General Counsel (AGC), the DST General Counsel, or the Plan's Special Deputy Attorney General from the Department of Justice.

Senior Manager of Contracting (Manager): Directs the Contracting Team to ensure that procurements are conducted in accordance with State procurement rules and laws and is responsible for maintaining contract documents. The Manager facilitates the evaluation process, Vendor communication during procurement, and any consultations or approvals required by outside agencies during all stages of the contract. The Manager manages the RTC process; facilitates the development, approval, and execution of Letters of Agreement, contract amendments, Memorandums of Agreement, or Memorandums of Understanding; and administers the Performance Guarantee and Waiver process pursuant to the Plan's Contract Monitoring Policy [SHP-POL-2002-SHP].

Privacy and Security Officer (PSO): Assesses Vendor HIPAA compliance before the award of any contract involving Protected Health Information (PHI) and monitors the HIPAA compliance of Vendors.

Senior Director of Finance, Planning, and Analytics (SDFPA): Oversees the financial aspects of the Plan, coordinates any financial or actuarial analysis related to procurements, and reviews RTCs to verify funding sources and budget codes.

Implementation

I. Drafting, Review, and Approval of Contractual Documents

Contracting for goods or services for the Plan may be initiated by a BO with the support of a Director; however, the procurement of such goods and services is the responsibility of the Contracting Team. Any

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step of this process may be repeated if necessary to ensure appropriate and necessary review of contracting and procurement documents and activities.

The Contracting and Procurement Process is outlined as follows:

A. Requisition to Contract

1. The BO develops an RTC for all procurements in Agiloft and routes it to the Manager for review. The Manager determines whether the RTC will be routed as an “Internal” RTC or an “External” RTC.

Generally, External RTCs are used for any procurement (RFP, RFQ, IFB, or RFI) or contracting (amendment, letter of agreement, etc.) need of \$25,000.01 and higher (Non-IT), and of \$25,000.00 or higher (IT), unless purchased against a Statewide Term Contract (STC) or through Correction Enterprises.

Internal RTCs are used for any procurement or contracting need of under \$25,000.01 (Non-IT) and under \$25,000.00 (IT), STC and Correction Enterprises purchases regardless of the dollar amount, no-cost agreements, all goods other than standard office supplies, and service awards.

2. The Manager reviews the RTC for deficiencies and errors and verifies the procurement method and applicability of the Plan’s exemption or delegation in consultation with the DCC and communicates any revisions to the BO for approval. The Manager schedules meetings with the BO to discuss the RTC, as needed.
3. The Manager routes the RTC to the DCC for review and edits.
4. The Manager routes any edits made by the Manager or DCC to the BO for approval.
5. Manager then routes the RTC to the following individuals for review, in order:
 - to the ISM (only if the contracting activity involves Plan data);
 - to the SDFPA, who verifies the funding source and budget code;
 - to the AGC.

If the ISM, SDFPA, or AGC make edits or add questions to the RTC, the Manager may route the RTC to the BO for response to questions and/or approval of edits before routing it to the next individual.

6. Manager reviews the RTC to determine whether significant changes were made during the previous step and routes the revised RTC to the DCC and BO for review and approval.
7. Once the RTC is reviewed and approved by the DCC and BO in the previous step, the RTC is considered final. Manager releases the RTC for signature routing.
8. The AC routes the final RTC for signature through DocuSign.
 - i. The AC routes final External RTCs for approval and signatures to the BO and the Director, ISM (only if the contracting activity involves Plan data), AGC, EA, CIO (for IT-related procurements), and the State Treasurer.

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- ii. The AC routes final Internal RTCs for approval and signatures to the BO, ISM (only if the contracting activity involves Plan data), AGC, EA, and CIO (only if ISM signature required).
 - iii. Based upon the Plan's approved exception to FOD P&C's oversight of its procurements, the RTC is not routed to the DST Chief Financial Officer for signature.
- B. Approval by Outside Agencies – The Manager facilitates any approvals required by outside agencies at the appropriate step during the contracting process.
- C. Development of Contract or Procurement Documents – While the RTC is being routed, or following approval of the RTC, the Manager or CA schedules a meeting with the BO and others as appropriate to discuss the next steps to plan and draft the appropriate contractual documents.
- D. Review of Contractual Documents – The Manager and/or CA route draft contractual documents for internal and external review. The process for routing contractual documents (excluding RFPs or similar solicitation documents) is as follows:
- 1. The Contracting Team drafts the contractual document.
 - 2. The Manager or CA routes the draft for review by the following individuals, in order: CA, Manager, DCC, BO.
 - 3. The Manager or CA routes edits made by BO to Manager and DCC for approval.
 - 4. Once reviewed and approved by the CA, Manager, DCC, and BO, the Manager routes the draft to the EA for review and approval.
 - 5. Upon approval of the EA, Manager routes the draft to the Vendor for review.
 - 6. If the Vendor makes any changes, CA or Manager routes for review and comment to Manager, SDCC, and BO. The CA or Manager then routes back to the Vendor. The process is repeated until a final contractual document is agreed upon by the Plan and the Vendor.
 - 7. That version may be, but is not required to be, routed to DST General Counsel for review. The DST General Counsel may request to review contractual documents prior to finalization.
 - 8. Some contractual documents require review by DOA P&C, DIT, the NC Governor's Office, the NC Office of the State Auditor, or the NC Attorney General's Office. These parties do not have access to Agiloft, so the contractual documents are routed by other means. Any significant changes by these reviewers are routed to Manager, SDCC, BO, and Director. All changes are then routed to the Vendor. This process is repeated until final contractual documents are agreed upon.
 - 9. The Manager releases the final contractual documents to AC.
 - 10. The AC routes the final contractual documents to the BO, DCC, and EA for approval.

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11. The AC routes the approved final contractual documents for signature via DocuSign in the following order: EA, State Treasurer (or designee), and Vendor. The AC attaches the fully executed RTC in a manner that is not visible to the Vendor.

E. Review of RFPs or similar solicitation documents

1. The BO and Contracting Team develops an initial draft of an RFP. The initial draft is reviewed in the following order: CA, Manager, DCC, BO, and EA.
2. The RFP is sent to the following external entities for review and approval, as applicable: DOA P&C (non-IT RFP) or DIT (IT RFP); the NC Governor's Office (Consulting Services); the NC Office of the State Auditor; and the NC Attorney General's Office.
3. The RFP may be, but is not required to be, routed to the DST General Counsel for review. The DST General Counsel may request to review the draft prior to finalization.
4. The process is repeated until a final document is agreed upon by those identified as applicable during the steps above.
5. CA, Manager, or DCC facilitates any approvals required by DOA P&C via the eProcurement Sourcing tool at the appropriate step during the contracting process. As applicable, Manager facilitates any approvals required by DIT (IT RFP); the NC Office of the State Auditor; and the NC Attorney General's Office. The DCC facilitates any approvals required by the DST General Counsel.
6. Following all necessary approvals of:
 - non-IT RFPs – CA, Manager, or DCC publishes the RFP within the eProcurement Sourcing tool, and Manager posts the RFP on the State's Interactive Purchasing System (IPS).
 - IT RFPs – Manager posts the RFP on IPS.

II. Evaluation of Responses to RFPs or Similar Solicitations

A. Development of Evaluation Criteria and Determination of Scoring Methodology

Development of Evaluation Criteria and Determination of Scoring Methodology is critical to ensure a fair and impartial evaluation process for all proposals.

RFPs should not be posted until the evaluation criteria and scoring methodology are finalized. A scoring tool may be developed after posting the RFP but must be finalized before bids are opened. All scoring tools must take into consideration RFP Addenda that resulted in changes to RFP requirements.

1. The BO consults with the Contracting Team and develops the evaluation criteria and scoring methodology.
2. The CA develops the scoring tool once the technical and cost components have been finalized. The Plan may also utilize its Actuarial/Analytical and Health Benefits Consulting Vendor to develop the scoring tool for certain procurements.
3. The CA routes the scoring tool to the BO, Manager, and DCC for review and approval.

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4. The Plan develops separate evaluation criteria for the technical component and the cost component of the RFP. Combined, the technical and cost proposal make up 100% of the scoring; each is assigned appropriate number of point relative to the importance of the component. An overall number of points is determined considering the complexity of the technical and cost components.
5. Site visits and/or oral presentations (if conducted) may be scored but are not required to be scored separately.
6. The EA determines the final point allocation between the technical and cost proposal components or approves such point allocation as determined by the BO or Manager.

B. Evaluation Process

1. Upon posting the solicitation on the IPS, the Manager issues a statement to all Plan personnel, certain DST personnel, and members of the Evaluation Committee that a Silent Period is in effect.
2. The CA or Manager, in consultation with the BO, facilitates selection of the Evaluation Committee. Member selection is based on required areas of expertise relating to the subject matter of the RFP.
 - a. Evaluation Committee members who are teleworking must sign a Telework Attestation Form before the evaluation process begins or prior to participating in the evaluation process.
 - b. Evaluation Committee members must complete and sign a Confidentiality and Conflict Disclosure Form before the evaluation process begins. The DCC sends any potential conflicts of interest identified on the Form to the DST Compliance Officer for review pursuant to the Ethics and Conduct Policy (Tier 1) [OST-POL-5018-ALL].
3. Proposals are opened in accordance with the process outlined in the RFP.
4. Cost Proposals are opened but are not evaluated or shared with the Evaluation Committee until technical evaluations are complete (unless otherwise required by the RFP). Cost Proposals may be shared with the SDFPA before technical evaluations are completed, even if the SDFPA and/or the SDFPA's staff are serving on the Evaluation Committee.
5. The CA completes a tabulation sheet documenting the names of the Vendors. If a BAFO is expected to be issued, costs are not included on the tabulation sheet.
6. The CA and Manager facilitate and determine the order of the Evaluation Committee meetings and establish any additional ground rules or changes to the Plan's standard ground rules for all meetings. The Plan's standard ground rules are as follows:
 - a. A copy of the proposal is provided to each member of the Evaluation Committee. Each member shall protect and maintain the confidentiality of the proposal's content.
 - b. Members shall prepare for and attend all scheduled meetings.
 - c. Evaluation Committee members, Plan Vendors, and DST staff shall not communicate with Vendors regarding the RFP, unless permission is granted by the DCC. All clarifications from Vendors requested by the Evaluation Committee are sought by the CA and/or Manager.

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- d. All notes in any format from Evaluation Committee meetings are collected by the Contracting Team at the end of each meeting and maintained in the official file. These documents are public record, unless otherwise exempt.
 - e. The CA and Manager determine and communicate to the Evaluation Committee the minimum number of voting members necessary to hold a meeting and vote; how to handle a tie or failure to reach consensus; and the approach to the evaluation of each proposal (e.g. whether to score section by section or review the entire proposal and then score).
 - f. Scoring is by group consensus and is documented and maintained by the CA and Manager using one scoring sheet per Vendor.
 - g. A member of the Contracting Team maintains a summary of details for each Evaluation Committee meeting, including whether clarifications were sought, or new ground rules adopted.
 - h. The Evaluation Committee may reject all bids and request approval for BAFO(s) from DOA P&C for non-IT RFPs not under the Plan's exemption. The Evaluation Committee may request approval for BAFO(s) from NC DIT for IT RFPs. The Evaluation Committee may decide to issue BAFO(s) for non-IT RFPs under the Plan's exemption.
- 7. The Evaluation Committee reviews each technical proposal that has been received in response to an RFP based on the criteria in the scoring document.
 - 8. The Plan's Actuary evaluates each cost proposal and prepares a cost proposal summary for review by the Evaluation Committee. The Actuary's summary is provided to the Evaluation Committee only after technical scoring is complete. The Plan may also utilize its Actuarial/Analytical and Health Benefits Consulting Vendor to evaluate cost proposals for certain procurements.
 - 9. The PSO reviews the HIPAA Questionnaire to determine the Vendor's HIPAA compliance. This is typically done as part of the Minimum Requirements.
 - 10. If the contracting activity involves Plan data, the ISM reviews each Vendor's data security posture to determine whether the Vendor meets DST's standards. This is typically done as part of the Minimum Requirements.

Note: In lieu of the point-score ranking method described above, the Plan may elect to utilize the best value methodology. The "best value" label is reserved for an evaluation in which all proposals are compared as to each relevant factor and the relative strengths and weaknesses of each proposal are traded-off to determine the best one overall. Use of the best value method requires a written explanation of the strengths and weaknesses of each proposal and why the recommended Vendor provides the best value to the State. The CA and Manager work with the BO to develop the written explanation of the strengths and weaknesses documented by the Evaluation Committee, which must then be reviewed and approved by the Evaluation Committee.

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III. Contract Award following RFP or Similar Solicitation

1. The Evaluation Committee recommends award by writing and issuing a letter or memo. Such letter or memo is drafted by the Contracts Team and will outline the basis for the Committee's recommendation. The draft letter or memo is submitted to the Evaluation Committee for review, edits, and approval via signature prior to issuance to the EA.

Additional approvals may be required following issuance to the EA as follows:

- Contracts subject to oversight by DOA P&C or DIT require approval by the respective Department. The Manager facilitates communication between the Plan and the respective Department regarding contract approval.
 - Contracts with a potential value over \$3 million require approval from the BOT. The Plan makes recommendations and seeks approval from the BOT during a closed session of a board meeting. If a contract not previously approved by the BOT requires an Amendment that brings the contract value to over \$3 million, then the Plan must obtain BOT approval before executing the Amendment. As independent fiduciaries for the Plan, the BOT may approve or reject recommendations made to the BOT and may award contracts to recommended or other parties as consistent with the BOT's objectives and duties.
 - Contracts with a value over \$1 million require approval of the NC Attorney General's Office.
 - Contracts for consulting services require approval of the NC Governor's Office.
2. After receiving the required approvals for award, the Manager obtains the execution signatures of the EA and State Treasurer (or designee). The Plan is not required to complete the DST Contract Execution Authorization Form.
 3. The award is announced to the Vendor, and scanned copies of the executed documents are emailed to the Vendor.
 4. The Manager posts the award on IPS. This step closes out the procurement process on IPS.
 5. The Manager does not submit a DOA P&C High Dollar Contract Value Notification Form for contracts within the Plan's exemption.
 6. After the Contract has been awarded and requested Vendor debriefing meetings have been held or protests resolved, the Manager sends an email to lift the Silent Period.
 7. At this time, the Evaluation Committee is released from its duties; however, members of the Evaluation Committee shall maintain the confidentiality of any proprietary information or trade secrets that were disclosed to them during the evaluation process. The Evaluation Committee shall not discuss the procurement process without approval from the DCC.

Enforcement

The Executive Administrator of the SHP shall have the authority to interpret and apply this policy. This policy may be amended at any time. Non-compliance with this policy is a serious matter that may result in disciplinary action, up to and including termination.

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Related Statutes, Rules, and Policies

1. N.C.G.S. § 135-48.34
2. N.C.G.S. § 143B-1350
3. N.C.G.S. § 143-58
4. N.C.G.S. Ch. 143, Art. 3
5. N.C.G.S. Ch. 135, Art. 3B
6. N.C.G.S. Ch. 143B, Art. 15
7. 9 N.C.A.C. 6B
8. 1 N.C.A.C. 5
9. Executive Order 24 (Roy Cooper, 2017)
10. Procurement and Contracting Policy [FOD-POL-9010-ALL]
11. Procurement Procedure [FOD-PRO-9020-ALL]
12. Contract Monitoring Policy [SHP-POL-2002-SHP]
13. Ethics and Conduct Policy (Tier 1) [OST-POL-5018-ALL]

Revision/Review History

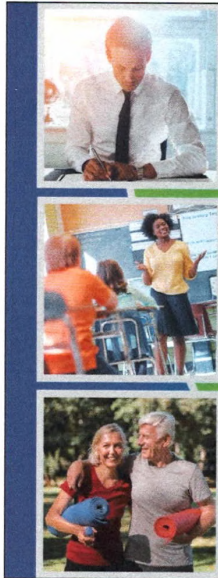
Version	Date Approved	Description of Changes
1.0	10/05/2007	New Policy
1.1	5/30/2008	Revised
1.2	1/3/2013	Revised to more succinctly capture the Plan's Contracting policy & procedure. Contract Management set forth in separate policy & procedure.
2.0	2/26/2019	Revised to reflect changes in RTC process, new organization structure, evaluation process, clarify AGO's involvement in approving contracts.
3.0	11/6/2020	Revised to reflect changes in procurement process regarding FOD delegation to Plan & Implementation of new Contract Management System.
4.0	9/12/2022	Clarifications, rewrites, and reorganization throughout to more clearly and closely reflect current process; removed Appendix A; added relevant references; updated position titles and policy owner.

For questions or clarification on any of the information contained in this policy, please contact the policy owner or designated contact point: Director of Contracting and Compliance, Kendall.Bourdon@nctreasurer.com. For general questions about department-wide policies and procedures, contact the DST Policy Coordinator.

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**Presentation of the Third Party
Administrative Services RFP**

***Board of Trustees Meeting (Executive Session)
December 14, 2022***



Background

- Intent of procurement: Secure a qualified vendor to provide superior third party administrative services.
- North Carolina General Statutes §135-48.22 and §135-48.33(a) require that the Board of Trustees approve the award of all Plan contracts with a value over \$3,000,000.
- The cost for this Contract will exceed \$3,000,000 and will require the Board's approval for award.
- All three proposals have been approved by the Attorney General's Office.
- Incumbent: Blue Cross Blue Shield of North Carolina (Current contract: 3/5/20 – 12/31/24).

Evaluation Process

- The Plan received Minimum Requirement Proposals from: Blue Cross and Blue Shield of NC (Blue Cross NC), Aetna, and UMR.
- All bidders passed the Minimum Requirements and were allowed to submit full proposals.
- The technical and cost components of the RFP were weighted 50/50.
- The Evaluation Committee objectively reviewed all technical proposals and scored proposals in accordance with the RFP criteria.
- Segal reviewed the cost proposals and presented its findings, along with scoring, to the Evaluation Committee.

Evaluation Process

- The Plan requested clarifications from all three bidders throughout the evaluation process.
- The Plan decided not to request Oral Presentations for this RFP.
- Following the technical proposal evaluation and the initial cost proposal evaluation, the Evaluation Committee submitted a request for Best and Final Offers (BAFO #1) to all three bidders.
- Segal reviewed BAFO #1 proposals and presented its findings and final scoring to the Evaluation Committee.
- The Evaluation Committee concluded its review and voted to present all three proposals to the Board for their consideration with a recommendation to award to the highest point recipient.

Evaluation Process – Contract Modernization Strategy

- Streamline the TPA contract.
 - Restructure the Contract to avoid micromanaging every possible detail from the outset; allow the Plan to have flexibility and adaptability by using ADMs and BRDs to operationalize initiatives as needed.
 - Set the expectation that Vendor work in concert with the Plan to fulfill its mission and vision while serving its Members.
 - Scrutinized the scope of work to identify the Plan's non-negotiable items and move those items to the Minimum Requirements.
 - Created new forms to receive the Minimum Requirements responses and Technical Requirements responses. These forms limited the Vendors' responses to two options: "Confirm" or "Does Not Confirm." This removed subjectivity from the evaluation and scoring and prevented Vendors from inserting descriptions, limitations, or qualifications potentially negating a confirmation.

Evaluation Process – Contract Modernization Strategy

- Reconsider the standard evaluation process.
 - Added advisory roles to the Evaluation Committee, such as including the Plan's Executive Administrator in the evaluation meetings.
- Revised the scoring methodology:
 - Technical Requirements, because there were only two options, were scored zero (0) or one (1).
 - Every requirement held equal weight.
 - Revised the scoring of the cost analysis to reflect the import of the three (3) components—six (6) points for Network Pricing, two (2) points for Administrative Fees, and two (2) points for Pricing Guarantees.
 - Utilized a ranking methodology to weight Technical and Cost equally.
- Ensure the Board, as fiduciaries of the Plan, are the decision-making body statutorily authorized to award the Contract.

Contract Technical Proposals Scoring

RFP Section	Title	Maximum Points	Vendor		
			Aetna	BCBSNC	UMR
5.2.1	Account Management	20	20	20	20
5.2.2	Finance and Banking	19	19	19	19
5.2.3	Network Management	28	28	27	28
5.2.4	Product and Plan Design Management	41	41	41	41
5.2.5	Medical Management Programs	18	18	18	18
5.2.6	Enrollment, EDI, and Data Management	40	40	39	40
5.2.7	Customer Experience	52	52	48	52
5.2.8	Claims Processing and Appeals Management	16	16	15	16
5.2.9	Claims Audit, Recovery, and Investigation	25	25	25	25
5.2.10	Initial Implementation and Ongoing Testing	3	3	3	3
5.2.11	Reporting	48	48	48	48
TOTAL TECHNICAL POINTS		310	310	303	310

Contract Technical Proposals – “Does Not Confirm”

- Vendor will apply the same utilization management and payment rules to providers located in North Carolina and throughout the United States. (5.2.3.2.b.iii.)
- Vendor will use the unique Member ID number provided by the EES vendor as the primary Member ID for claims processing, customer services and other operational purposes; therefore, the unique Member ID number provided by the EES vendor will be the sole Member ID on the ID Card. (5.2.6.2.b.xvi.)
- Vendor's member portal will accept and display Member-specific information from the other systems and Vendor's health team, including each of the following. Vendor shall confirm each below:
 - Electronic medical and health records. (5.2.7.2.b.xxiv.1)
 - Disease Management Nurse notes. (5.2.7.2.b.xxiv.2)
 - Case Management notes. (5.2.7.2.b.xxiv.3)
 - Health Coach notes. (5.2.7.2.b.xxiv.4)
- Upon request, Vendor will pay all claims, including non-network claims, based on assignment of benefits. (5.2.8.2.b.v.)

Cost Analysis – Comparison

BAFO #1							
Network Pricing (Claims \$M)							
Vendor	2025	2026	2027	Total	Ranking	% Diff	Score
Aetna	3,035.7	3,209.6	3,393.9	9,639.2	3	0.00%	6
BCBS	3,049.9	3,224.7	3,409.8	9,684.4	2	+ 0.47%	6
UMR	3,060.1	3,241.2	3,427.2	9,728.4	1	+ 0.93%	5

BAFO #1						
Vendor	Base Admin Fee (PSPM)			Total Cost (\$M)	Rank	Score
	2025	2026	2027			
Aetna	22.75	22.75	22.75	293.6	2	1
BCBS	13.53	14.21	14.92	223.3	3	2
UMR	24.25	24.50	24.75	357.2	1	0

- Disease Management Fees for Non-Medicare members were included
- One Time Credits for implementation, communication, etc. are incorporated into the Total Cost

Cost Analysis – Comparison

Vendor	Discount Guarantee			Max \$ At Risk (\$M)		
	2025	2026	2027	2025	2026	2027
Aetna	52.3%	52.3%	52.3%	22.3	22.3	22.3
BCBS	55.1%	55.6%	56.1%	2.7	2.8	2.9
UMR	52.6%	N/A		95.1	N/A	

- UMR provided only trend guarantees for 2026 and thereafter.

Vendor	Trend Guarantee			Max \$ At Risk (\$M)		
	2025	2026	2027	2025	2026	2027
Aetna		6.81%	7.06%		22.3	22.3
BCBS	N/A	6.00%	6.00%	N/A	2.8	2.9
UMR		BoB -1%			47.6	47.6

- UMR guarantee is to be more than 1% below their Book of Business

Pricing Guarantees		
Vendor	Rank	Score
Aetna	2	1
BCBS	1	0
UMR	3	2

Cost Analysis – Expected Cost and Scoring

BAFO #1				
Combined 3-Year Cost (\$M)				
Vendor	Claims	Admin	Total	% Diff
Aetna	9,639.2	293.6	9,932.8	0.3%
BCBS	9,684.4	223.3	9,907.7	0.0%
UMR	9,728.4	357.2	10,085.7	1.8%

BAFO #1							
Vendor	Rankings			Points			
	Claims	Admin	Guarantees	Claims	Admin	Guarantees	Total
Aetna	3	2	2	6	1	1	8
BCBS	2	3	1	6	2	0	8
UMR	1	1	3	5	0	2	7

Final Scoring

	Maximum Points	Vendor		
		Aetna	BCBSNC	UMR
TOTAL TECHNICAL POINTS	310	310	303	310
BAFO #1 COST POINTS	10	8	8	7
FINAL RANKING TECHNICAL		3	1	3
FINAL RANKING COST		3	3	1
FINAL RANKING TECHNICAL AND COST		6	4	4

Recommendation

- Based upon its evaluation and scoring methodology, the Evaluation Committee is recommending awarding the Contract to Aetna.
- All three are presented for the Board's consideration.
- The two-year implementation period for this Contract begins January 1, 2023, through December 31, 2024. The three-year initial service period for this Contract begins January 1, 2025 (*Open Enrollment, Fall 2024), through December 31, 2027, with the option to renew for two, one-year terms.

Discussion and Board Vote

- The Plan is requesting the Board to accept the Evaluation Committee's analysis, consider the recommendation, and award this Contract.
- The Plan is prepared to discuss and answer questions.
- The Plan respectfully requests a Board vote on this matter.

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SHP 0024063



STATE TREASURER
DALE R. JONES
Yale



3200 Atlantic Avenue • Raleigh, NC 27604 • Phone: 919-814-4400 • Fax: 919-855-5817 • www.shpnc.org

TO: Dee Jones, Executive Administrator

FROM: Evaluation Committee for the Third Party Administrative Services
Request for Proposal #270-20220830TPAS

SUBJECT: Recommendation to Award for Third Party Administrative Services
Request for Proposal #270-20220830TPAS

DATE: December 14, 2022

The North Carolina State Health Plan for Teachers and State Employees (Plan) issued a Request for Proposal (RFP) #270-20220830TPAS on August 30, 2022, to solicit bids for Vendor(s) to provide third party administrative (TPA) services for self-funded health claims and related services. Providing health benefits to Plan Members is the core of the Plan's mission; therefore, having the right Vendor partner is the key to success.

Minimum Requirement (MR) responses were due on September 26, 2022, at 10:00 a.m. ET and technical and cost proposals were due on November 7, 2022, at 10:00 a.m. ET.

The Plan received MR responses from the following Vendors:

Vendor
Aetna Life Insurance Company (Aetna)
Blue Cross Blue Shield of North Carolina (Blue Cross NC)
UMR, Inc. (UMR)

The Evaluation Committee (EC) consisted of the following members:

Core (Voting)

Caroline Smart
Chrissy Crute
Duane Maxie
Jenifer Zamudio
Beth Horner
Matthew Rish
Tamara Williams

Advisory (Non-Voting)

Dee Jones
Charles Sceiford
Aaron Vodicka (Legal)
Joel Heimbach (Legal)

Contracting (Non-Voting)

Kendall Bourdon
Sharon Smith
Vanessa Davison
Kimberly Alston

Subject Matter Experts (SME) by Section

Renee Bourget	5.1 Minimum Requirements, item 4, Data Security
Matt Rish	5.1 Minimum Requirements, item 5, Financial Stability
Aaron Vodicka	5.1 Minimum Requirements, items 9 and 10, Attachment G: Business Associate Agreement and Attachment H: HIPAA Questionnaire

The EC met on September 27 and 30, 2022, to evaluate all three (3) MR proposals and the SMEs reviewed their portions. During the MR evaluation, clarifications were issued to Vendors regarding specific areas of their MR proposals.

The EC determined that all three (3) Vendors met the MRs. On September 30, 2022, the Plan notified Vendors that they met the MRs, and requested The Segal Company, Inc. (Segal), to provide a link to each Vendor which allowed them access to data files needed for the development and submission of their cost proposals.

All three (3) Vendors submitted their technical and cost proposals by the due date. The EC evaluated the technical proposals. Segal reviewed and analyzed the cost proposals independently from the EC and shared the preliminary results and the final results with the EC after the EC completed the technical evaluation.

The EC met on November 8, 2022, to review the technical proposals. Each Vendor's proposal was evaluated and scored on several factors. The technical proposals were scored separately based on the overall point scale described below.

TECHNICAL AREAS	MAXIMUM POINTS
Section 5.2.1 Account Management	20
Section 5.2.2 Finance and Banking	19
Section 5.2.3 Network Management	28
Section 5.2.4 Product and Plan Design Management	41
Section 5.2.5 Medical Management Programs	18
Section 5.2.6 Enrollment, EDI, and Data Management	40
Section 5.2.7 Customer Experience	52
Section 5.2.8 Claims Processing and Appeals Management	16
Section 5.2.9 Claims Audit, Recovery, and Investigation	25
Section 5.2.10 Initial Implementation and Ongoing Testing	3
Section 5.2.11 Reporting	48
Total	310

The Vendors were ranked in descending order based on the total points earned. The Vendor earning the least points out of the total 310 received the rank of one (1). The bids fell in line according to total scored points, with the Vendor earning the most points out of the total 310 receiving the highest rank. If two (2) Vendors earn the same score in the technical points, they were given equal rank.

Below are the points and rankings for the technical proposals.

Vendor	Final Technical Points	Final Technical Proposal Rank
Aetna	310	3
Blue Cross NC	303	1
UMR	310	3

The EC met on November 17, 2022, to review cost proposals and for Segal to present its initial cost analysis of the cost proposals, "Draft, For Discussion Purposes As of 11/17/2022" and subsequent scoring. Cost proposals were scored based upon the Vendor's response to ATTACHMENT A: PRICING. Maximum points attainable for each Vendor's cost proposal was 10 - six (6) points for Network Pricing, two (2) points for Administrative Fees and two (2) points for Network Pricing Guarantees. The maximum number of total points was awarded to the Vendor offering the most competitive cost proposal with other Vendors receiving points proportionately.

Below are the preliminary points and rankings for the cost proposal.

Vendor	Preliminary Cost Proposal Total Score	Preliminary Cost Proposal Rank
Maximum Allocated Points	10	
Aetna	5	2
Blue Cross NC	8	3
UMR	2	1

After much discussion, the EC decided to issue a Request for Best and Final Offer (BAFO) to all three (3) Vendors requesting better pricing. The EC also decided to issue clarifications regarding In-Network Discounts.

On November 18, 2022, the Plan issued BAFO #1 and clarifications to the Vendors with a response due date of Tuesday, November 22, 2022. The EC met again on November 30, 2022, where Segal presented another cost analysis, "Cost Proposal Analysis - Reflects Clarifications and Best and Final Offers (BAFO #1) DRAFT for Discussion Purposes As of 11/29/2022."

Below are the points and rankings for the BAFO #1 cost proposals; and the final technical proposal and BAFO #1 cost proposal rank totals.

Vendor	BAFO #1 Cost Proposal Total Score	BAFO #1 Cost Proposal Rank
Maximum Allocated Points	10	
Aetna	8	3
Blue Cross NC	8	3
UMR	7	1

The total points scale reflected the following weights:

Technical Proposal	50%
Cost Proposal	50%
Total:	100%

Vendor	Final Technical Proposal Rank	BAFO #1 Cost Proposal Rank	Final Technical Proposal and BAFO #1 Cost Proposal Rank
Aetna	3	3	6
Blue Cross NC	1	3	4
UMR	3	1	4

Below are the estimated "Total Contract Values" for each Vendors' offer. This calculation estimates the total value for the entire Contract, including the two (2) optional years.

Total Contract Value (\$M)						
Aetna BAFO #1						
	2025	2026	2027	2028	2029	Total
Claims	3,035.7	3,209.6	3,393.9	3,588.7	3,794.7	17,022.7
Admin	97.5	98.2	97.9	101.1	104.5	499.2
Total	3,133.1	3,307.8	3,491.9	3,689.9	3,899.2	17,521.9

Total Contract Value (\$M)						
BCBS BAFO #1						
	2025	2026	2027	2028	2029	Total
Claims	3,049.9	3,224.7	3,409.8	3,605.5	3,812.5	17,102.5
Admin	52.7	74.0	76.9	84.2	114.5	402.3
Total	3,102.6	3,298.7	3,486.8	3,689.7	3,927.0	17,504.8

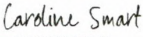


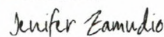
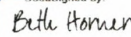
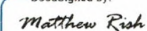
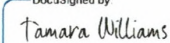
Total Contract Value (\$M)						
UMR BAFO #1						
	2025	2026	2027	2028	2029	Total
Claims	3,060.1	3,241.2	3,427.2	3,623.9	3,831.9	17,184.3
Admin	112.2	122.1	123.0	124.4	125.9	607.5
Total	3,172.3	3,363.2	3,550.2	3,748.3	3,957.8	17,791.8

The EC recommends presenting all three (3) proposals to the Board of Trustees for their consideration with a recommendation to award to the Third Party Administrative Services Contract to Aetna Life Insurance Company.

The awarded Contract shall have an initial term of 60 months, including 24 months for implementation, beginning January 1, 2023, through December 31, 2024. Services under the awarded Contract shall begin on January 1, 2025, through December 31, 2027. The Plan has the option to extend the Contract for two (2) additional one-year terms.

By signing below, you confirm that the above statements reflect the Evaluation Committee's review and recommendations for RFP # 270-20220830TPAS Third Party Administrative Services.

Evaluation Committee Members:

<div>DocuSigned by:  4854B93992E4474</div> <hr/>	Date: 12/13/2022
Caroline Smart, Senior Director, Plan Integration	
<div>DocuSigned by:  A0F48DF5D532464</div> <hr/>	Date: 12/14/2022
Chrissy Crute, Manager, Plan Integration	
<div>DocuSigned by:  9902CFC0C81EA46D</div> <hr/>	Date: 12/14/2022
Duane Maxie, Manager, Plan Integration	
<div>DocuSigned by:  C72060A3F2C0431</div> <hr/>	Date: 12/14/2022
Jenifer Zamudio, Business Analyst, Plan Integration	
<div>DocuSigned by:  72CB44C32744491</div> <hr/>	Date: 12/14/2022
Beth Horner, Director, Customer Experience & Communications	
<div>DocuSigned by:  35C4275A3A3A3EE</div> <hr/>	Date: 12/14/2022
Matthew Rish, Senior Director, Finance, Planning & Analytics	
<div>DocuSigned by:  44EF1FA58E39443</div> <hr/>	Date: 12/14/2022
Tamara Williams, Financial Analyst, Finance, Planning & Analytics	

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