

## **Financial Evaluation**

The State has assigned a total of thirty (30) points to the financial evaluation, which includes the administration fee(s), capitated/insured rates, and network provider and facility discounts.

### **Description of the Financial Analytic Model**

#### ***Conceptual Overview***

The State will utilize Aon Hewitt for the cost proposal evaluation. Aon Hewitt has established a methodology to evaluate the proposals in an objective manner, to factor in future trends and to calculate the total cost related to the BHO/EAP Program's (the Program) vendor. This supplement explains how Aon Hewitt will use the model in its evaluation of each proposal.

There are three steps in the model:

1. The base data from the existing vendor is used to determine costs under the current program.
2. This data is trended to get the utilization to the RFP time period.
3. Each bidder's specific pricing terms are applied to get to the overall cost to the State. This is comprised of three components:
  - a. Projected claims costs
  - b. Projected rates for the insured components of the Program
  - c. Projected administrative fees

## Financial Model Output

Aon Hewitt's financial analytic model will deliver the following results to the State. The Proposer with the highest Savings over the Current Total shall be awarded the maximum points for the financial evaluation. Total savings will reflect projected claims and administrative costs.

	Vendor #1	Vendor #2	Vendor #3	Vendor #4
1/1/2017 – 12/31/2017				
1/1/2018 – 12/31/2018				
1/1/2019 – 12/31/2019				
1/1/2020 – 12/31/2020				
1/1/2021 – 12/31/2021				
<b>Total Discounted Claims*</b>				

\*Total Discounted Claims is the sum of Employee copays and coinsurance and claim payments made by the State of Tennessee.

### ***Description of model calculation***

Working with the State, Aon Hewitt has developed a model to compare the pricing offers submitted by the proposers. Aon Hewitt staff will input the responses from each proposal into the model. The model will calculate the total cost impact from each proposal. Aon Hewitt will forward these costs to the RFP co-coordinator who will then convert the relative cost into point allocations.

These numbers are trended into the time period for the RFP (2017 through 2021) and used as the basis for the analysis.

Each vendor's discounts, insured/capitated costs and administrative fees are factored in the analysis and an overall cost impact is calculated.

## ***Estimating the cost impact***

The first step in getting the baseline claims costs is to use the claims data from the existing vendor. Baseline claims are incurred July 2014 to June 2015 and paid by December 2015.

The second step is to trend to the years 2017 through 2021. Aon Hewitt will use the following table as the basis for assumptions in trending the utilization:

**Table 1  
Trend Assumptions**

	<b>Trend</b>
Membership	0%
Facility	6.5%
Procedure (non-EAP)	6.5%

The third step is to compare the allowed amounts and discounts for in network claims and factor in the network analysis, all of which is provided from each vendor. For the providers that are considered out of network based on the disruption analysis provided in RFP ATTACHMENT 6.2., SECTION D, PART 2.2, no discount will be applied to the claims. Aon Hewitt will apply this to the trended utilization and add the administrative fees to calculate the total cost to the State.

The resulting discounted claims costs will be added to the vendor's proposed premium rates and administrative fees (update language here?) to determine the projected cost.

See the attached worksheet for the required data to be submitted.

## ***Time Value of Money***

We will NOT factor in the time value of money in calculating the 5 year value of the proposal. In other words, we will assume that a dollar in 2021 is the same as a dollar in 2017.