Proposal to Provide

ACTUARIAL SERVICES TO DEVELOP WORKERS’ COMPENSATION FEE SCHEDULES FOR MEDICAL SERVICES

Commonwealth of Virginia – Workers’ Compensation Commission

July 6, 2016

Contact: Scott Lefkowitz, FCAS, MAAA, FCA
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(631) 577 0548
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II. B. 1. RFP Cover Sheet and Addenda
REQUEST FOR PROPOSALS

RFP# 1916003

Issue Date: June 6, 2016
Commodity Code: 95392, 95348, 94612

Title: Actuarial Services to Develop Workers’ Compensation Fee Schedules for Medical Services

Issuing Agency: Commonwealth of Virginia Workers’ Compensation Commission
1000 DMV Drive
Richmond, VA 23220

Using Agency: Commonwealth of Virginia Workers’ Compensation Commission
1000 DMV Drive
Richmond, VA 23220


Sealed Proposals Will Be Received Until 2:00 PM EST, July 7, 2016 for Furnishing The Services Described Herein, And Then Opened in Public. No proposal will be accepted after this date and time unless modified by addendum.

PROPOSALS MUST BE SEALED AND SUBMITTED TO THE ISSUING AGENCY. IF PROPOSALS ARE MAILED, SEND DIRECTLY TO ISSUING AGENCY AS SHOWN ABOVE TO THE ATTENTION OF “PURCHASING DEPARTMENT.” IF PROPOSALS ARE HAND DELIVERED, DELIVER TO: 1000 DMV Drive, Richmond, VA 23220, Attention: Purchasing.

All Inquiries, Questions, and Requests For Information MUST Be Directed To: Bruce Harris, Purchasing & Operations Manager, preferably by E-mail to bruce.harris@workcomp.virginia.gov or fax at 877-376-5114. Potential offerors may also call 804-205-3062 for general questions and requests; however all technical questions must be submitted in writing preferably by email, or by fax if email is not possible, and should be submitted no later than June 30, 2016.

In Compliance With This Request For Proposals And To All The Conditions Imposed Therein And Hereby Incorporated By Reference, The Undersigned Offers And Agrees To Furnish The Services In Accordance With The Attached Signed Proposal Or As Mutually Agrees Upon By Subsequent Negotiation.

Name and Address of Firm:

Oliver Wyman Actuarial Consulting, Inc.
48 South Service Road, Suite 310
Melville, NY Zip Code: 11747

FEI/FIN NO: 39414-7522
DUNS #: 827112207
Fax Number: (212) 948-1521

*Pre-Proposal Conference: Omitted.

Date: July 6, 2016
By: Scott J. Lefkowitz, FCAS, MAAA, FCA
(Signature in ink)

Name: Scott J. Lefkowitz, FCAS, MAAA, FCA
(Please Print)

Title: Partner

Email address: scott.lefkowitz@oliverwyman.com
Telephone Number: (613) 577-0548
II. B. 2. Executive Overview

II. B. 2. a. Letter of Introduction

A letter of introduction. The contents of the letter must include the official name and address of the contractor submitting the proposal, the name and address and telephone number of the person who will be authorized to act on behalf of the contractor and bind the contractor to all commitments made in the proposal, and the name, address and telephone number of the person who will hold the lead role in performing the contracted work.
July 6, 2016

Mr. Bruce Harris  
Purchasing & Operations Manager  
Commonwealth of Virginia  
Workers’ Compensation Commission  
1000 DMV Drive  
Richmond, VA 23220

Via Federal Express

Subject:  
Actuarial Services to Develop Workers’ Compensation Fee Schedules for Medical Services

Dear Mr. Harris:

Oliver Wyman Actuarial Consulting, Inc. (Oliver Wyman) is pleased to submit our response to the Virginia Workers’ Compensation Commission (VWC) RFP titled “Actuarial Services to Develop Workers’ Compensation Fee Schedules for Medical Services.” This proposal comes from our Melville, New York office located at the following address:

Oliver Wyman Actuarial Consulting, Inc.  
48 South Service Road, Suite 310  
Melville, NY 11747

We are certain that our response will demonstrate that our team is qualified and eager to assist the VWC in the design and implementation of a workers’ compensation medical fee schedule (WCMFS) in Virginia. We believe that our team is uniquely qualified for several reasons. We have assembled a multi-disciplinary team with in-depth knowledge and expertise in the areas of workers’ compensation, medical claims data, and statistical analyses, as well as knowledge of the Virginia market. Our team is comprised of some of nation’s leading experts in these areas and includes actuaries form both our Property and Casualty Actuarial Practice and our Health Actuarial Practice, including the leaders of both practices. We attended the VSIA meeting in early June and based on a number of conversations with key stakeholders at the meeting, we feel that we have a thorough understanding of the approach Virginia intends to take in developing its new WCMFS, and we are confident we can support the VWC in developing a customized solution rather than taking an “off the shelf” approach used by other states.

All of our key team members have or are currently performing work for the Commonwealth of Virginia.

Scott Lefkowitz, FCAS, MAAA, FCA is a Partner with Oliver Wyman’s Property and Casualty Practice and the leader of the Melville, New York office. He is authorized to act on behalf of the contractor and bind the contractor to all commitments made in the proposal. Mr. Lefkowitz is nationally recognized as an expert on workers’ compensation issues. His contact information follows:
Tammy Tomczyk, FSA, MAAA, FCA is a Senior Principal with Oliver Wyman’s Health Practice. She will hold the lead role in performing the contracted work. Ms. Tomczyk has experience managing large and complex projects, and she will monitor and oversee our work and will enable our team to deliver the project on time and on budget through effective communication and facilitation that meets or exceeds the VWC’s expectations. Ms. Tomczyk’s contact information is:

411 East Wisconsin Avenue, Suite 1300
Milwaukee, WI 53202
tammy.tomczyk@oliverwyman.com
414-223-7988

Again, thank you for considering the Oliver Wyman team for your consulting needs. We stand ready to answer any questions you may have about our proposal.

Sincerely,

Tammy Tomczyk, FSA, MAAA
Senior Principal

Copy: Scott Lefkowitz, Oliver Wyman
Kurt Giesa, Oliver Wyman
Chad Wischmeyer, Oliver Wyman
Josh Sober, Oliver Wyman
II. B. 2. b. Brief Overview

A brief overview clarifying your firm’s understanding of the VWC goals and objectives of this RFP and identifying the benefits to the VWC if your firm is awarded the contract – why you feel your firm, and your proposed services, would be most advantageous to the VWC.

The passage of SB631 is a landmark legislative effort, marking a significant shift in the manner in which Virginia’s workers’ compensation medical claims will be reimbursed. This important legislation will address a number of challenges present in the current environment. It will enable the same level of quality care currently provided to Virginia’s injured workers; it will support a more predictable pattern of medical claims costs for insurers and employers, and it will promote more transparent claims settlement and administration practices.

The final medical fee schedule design called for under the legislation will have to satisfy a number of requirements to be successful and meet its stated goals. First and foremost, its design will have to be collaborative. There is a large cross section of Virginians and Virginian organizations that will be affected by the new medical fee schedules. Their input will be critical to a successful design and implementation. Second, the medical fee schedules should be revenue neutral, maintaining basic parity with current reimbursement levels for the Commonwealth’s providers. It may not be possible to maintain this revenue neutrality for any single provider, but the law specifies a framework (e.g., six regions, seven provider types) that will broadly promote revenue neutrality. Third, the construction of the medical fee schedules must recognize that Virginia is unique. Although it would be expedient to directly translate an existing fee schedule (e.g., Medicare) to the new system, this kind of approach would overlook the broader need to support all of the stakeholders affected by the legislation.

The Commonwealth has requested proposals from vendors who are qualified both to develop the new medical fee schedules and to provide clarity around its implementation. In order to fully realize these important goals, the vendor that is awarded the contract will have to understand the greater context around the implementation of the new medical fee schedules, the technical challenges associated with making it robust and equitable, and the unique needs of the Commonwealth and its stakeholders. At Oliver Wyman, we have the expertise in both workers’ compensation and medical services, and the experience to assist the Virginia Workers’ Compensation Commission (VWC) in this effort.¹ We attended the VSIA meeting in early June. Based on a number of conversations with key stakeholders at that meeting and before, we feel that we have a unique understanding of the Commonwealth’s needs, including the knowledge that an “off the shelf” approach will not work for Virginia. In addition, we know the Virginia market from both a workers’ compensation and healthcare perspective. Our Virginia experience includes clients that are self-insured for workers’ compensation, insurance companies that write workers’ compensation coverage in Virginia, and our healthcare and property & casualty work with...

¹ While the VWC is the client of record, we fully understand that all stakeholders in this process are effectively clients because it is imperative that the process used to transform raw data to develop a final fee schedule must generate a level of trust so that all stakeholders see the final work product is fair, reflects the unique characteristics of the Commonwealth, and satisfies the intent of the legislation that mandated the fee schedule.
II. B. 2. b. Brief Overview (continued)

the Virginia insurance regulator. All of the key team members listed in Section II. B. 3. 4. of our proposal have performed or currently perform work for the Commonwealth of Virginia.

II. B. 2. c. Subcontracting

A statement of whether any of the contracted work will be sub-contracted and if so, the identity, experience and credentials of all sub-contractors.

Due to the depth and breadth of the Oliver Wyman team and the Marsh & McLennan family of companies, as demonstrated throughout the subsequent sections of our proposal, no subcontractors are proposed for this engagement. However, should a specific issue arise where additional external resources would add value and perspective to the project, Oliver Wyman’s professional network of business associates ensures that if we do not have an in-house resource, we can find it, and could add others to the team, subject of course to the VWC’s prior approval.

II. B. 2. d. Attachment B

Attachment B identifying all proprietary information and location within the proposal as applicable.
## ATTACHMENT B

### PROPRIETARY/CONFIDENTIAL INFORMATION SUMMARY FORM

<table>
<thead>
<tr>
<th>SECTION/TITLE</th>
<th>PAGE NUMBER(S)</th>
<th>REASON(S) FOR WITHHOLDING FROM DISCLOSURE</th>
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<td>II. B. 3. 2. Current and Prior Similar Engagements</td>
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<td>II. B. 5. Proposed Price</td>
<td>Pages 38 - 39</td>
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<td>Attachment A – Data Sheet</td>
<td>Pages 26 - 27</td>
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Identify the reason for withholding from disclosure by applying the applicable code from below and/or by written explanation.

**A=** This page contains information relating to “trade secrets”, and “proprietary information” including processes, operations, style of work, or apparatus, identify, confidential statistical data, amount or source of any income...of any person (or) partnership. *See Virginia Public Procurement Act, Section 11-52 (D). Unauthorized disclosure of such information would violate the Trade Secrets Act 18 U.S.C. 1905.*

**B=** This page contains proprietary information including confidential, commercial or financial information which was provided to the Government on a voluntary basis and is of the type that would not customarily release to the public. See Virginia Public Procurement Act, Section 11-52 (D); 5 U.S.C. 552 (b)(4); 12 C.F.R. 309.5(c)(4).

**C=** This page contains proprietary information including confidential, commercial or financial information. The disclosure of such information would cause substantial harm to competitive position and impair the Government’s ability to obtain necessary information from contractors in the future. 5 U.S.C. See Virginia Public Procurement Act, Section 11-52 (D); 552 (b)(4); 12 C.F.R. 309.5(c)(4).
II. B. 3. Oliver Wyman’s Qualifications and Experience

Fully describe your firm’s qualifications and experience in providing the services described herein to include:

II. B. 3. 1. Business Structure

A brief overview of your firm’s business structure and the relationship between any parent company and subsidiaries, if applicable to your firm and whether there are any planned mergers or company structure changes

McLennan Companies is a global professional services firm providing advice and solutions in the areas of risk, strategy, and human capital. Marsh & McLennan is a publicly-held company with over $13 billion in annual revenue. Its stock (ticker symbol: MMC) is listed on the New York, Chicago, and London stock exchanges.

The Marsh & McLennan Companies are active in the following sectors: risk and insurance services through Marsh, Inc. and Guy Carpenter, and consulting through Mercer and the Oliver Wyman Group. Marsh & McLennan Companies is incorporated in the State of Delaware. Marsh & McLennan has four principal operating companies; the organizational structure is depicted in the following chart.
II. B. 3. 1. Business Structure (continued)

The Oliver Wyman Group is a wholly-owned subsidiary of the Marsh & McLennan Companies, and includes consultants with expertise in actuarial science, strategy, financial services (including insurance), brand management and economics. Oliver Wyman’s 3,000 professionals operate in more than 50 cities globally. The firm works with clients across a range of industries to deliver sustained shareholder value growth.

The Oliver Wyman Actuarial Consulting Practice is part of Oliver Wyman Group and provides actuarial, financial, operational, and risk management services to a variety of clients including: insurance and financial service companies, health care providers, insurance regulators, governments, trusts, law firms, and corporations that retain risk. With roughly 100 members of the American Academy of Actuaries and roughly 200 total employees, Oliver Wyman, is one of the largest actuarial firms in North America.

Our actuaries combine a broad range of expertise with specialized knowledge of specific risks allowing us to provide independent, objective advice. We are committed to providing unparalleled expertise in actuarial and risk science, continually renewed by the breadth of our consultants’ ongoing experiences and independent research. We continuously research methods for evaluating, measuring and reporting on risk and provide clear, timely communications in three primary areas of risk: property and casualty, life and annuity, and healthcare.

We are the trusted advisors with clients who turn to us for our high-level strategic advice, for our ability to model ever changing environments, and our ability help them respond to changes in regulations on both the state and Federal levels.

II. B. 3. 2. Current and Prior Similar Engagements
Identify previous and current contracts similar to this project, particularly those with other state or other governmental agencies
II. B. 3. 2. Current and Prior Similar Engagements (continued)
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II. B. 3. 2. Current and Prior Similar Engagements (continued)
### II. B. 3. 2. Current and Prior Similar Engagements (continued)

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The table above lists the current and prior similar engagements of Oliver Wyman from 1990 to 2022. Each entry includes the year of the engagement and a brief description.
II. B. 3. 2. Current and Prior Similar Engagements (continued)

Oliver Wyman possesses considerable expertise in the areas necessary to successfully complete the scope of work outlined in the RFP. Developing a set of workers’ compensation medical fee schedules requires:

- Significant workers’ compensation experience.
- Significant experience analyzing and developing medical fee schedules.
- A deep understanding of medical claims data, including medical coding such as the use of modifiers with CPT-4 codes, and payment practices such as bundling of surgical claims, and the handling of outlier claims.
II. B. 3. 3. Actuarial Expertise and Credentials (continued)

While Oliver Wyman’s experience and expertise is much more far reaching than this, below, we describe our expertise and credentials that are most applicable to the scope of services requested in the RFP.

Experience with Workers’ Compensation Programs

Oliver Wyman is extraordinarily experienced with workers’ compensation programs in general, and the workers’ compensation market in Virginia specifically. The following are a list of projects and/or clients for which we have provided consulting services specifically related to workers’ compensation issues:

- Our 20 years working with the Workers’ Compensation section of the Virginia Department of Human Resource Management including reserve studies, cashflow projections, premium allocations, etc.
- Reserve and funding studies for numerous entities that self-insure their workers’ compensation exposure for employees in the Commonwealth of Virginia.
- Loss reserving, ratemaking, and other management support items for several insurance companies writing workers compensation policies in Virginia.
- Examining workers’ compensation loss cost or rate applications on behalf of regulators. The following jurisdictions represent our most recent assignments:
  - Virginia
  - Colorado
  - Florida
  - Pennsylvania
  - New Hampshire
  - Vermont
- Examination of the workers’ compensation retrospective rating program in the State of Washington on behalf of the Department of Labor and Industries.
- Occupational Disease Research Project conducted on behalf of the Canadian Institute of Actuaries.
- Evaluation of unpaid costs of the Reopened Claim Fund on behalf of the New York Workers’ Compensation Board.
- Evaluation of the unpaid costs of the Special Disability Fund on behalf of the New York Workers’ Compensation Board.
- Independent reserve study and financial viability analysis of the State Accident Insurance Fund on behalf of the State of Oregon.
- Peer review of the reserve calculations for Compsource, the Oklahoma State Workers’ Compensation Fund.
- Evaluation of workers’ compensation liabilities associated with presumptive benefits for public safety officers for numerous cities and counties in Nevada.
- Evaluation of workers’ compensation liabilities and prospective rate forecasts for the Commonwealth of Virginia’s state agencies.
- Reserving, ratemaking, financial analyses and numerous other services for the Ohio Bureau of Workers’ Compensation.
II. B. 3. 3. Actuarial Expertise and Credentials (continued)

This list is only a small fraction of the workers’ compensation experience of Oliver Wyman. Note that one of the members of the proposed project team either managed, or participated in, every assignment listed above.

Experience Working with Medical Fee Schedules
Oliver Wyman’s healthcare actuaries have significant experience working with medical fee schedules as part of work performed on behalf of payers and providers. This experience includes designing and developing fee schedules, as well as analyzing the financial impact of changes in fee schedules. This experience is demonstrated by several of the current and prior engagements described in the prior section.

We have performed medical fee schedule and other reimbursement analyses for inpatient claims, outpatient claims, professional fees, prescription drugs, and ancillary services. Various fee schedule analyses we have performed include but are not limited to:

- Supporting medical fee schedules that are relative value based and those that are cost based.
- Updating medical fee schedules after determination of necessary changes to attain targeted premium price points.
- Evaluating the impact of changing an inpatient fee schedule from a DRG basis to a per diem basis, and determining the per diem rates that result in revenue neutrality.
- Analyzing inpatient claims by DRG to determine the cost impact of various outlier provisions.
- Supporting physician fee schedule changes with comparison to Medicare RBRVS and determining variation in commercial payment rates as a percent of Medicare by service type (e.g., surgeries, office visits, radiology, lab) and provider type (e.g., primary care, cardiology, oncology).
- Estimating payer fee schedule adequacy relative to prevailing market rates, based on limited information.
- Supporting claims adjudication revisions after identifying imprecision relative to a theoretical fee schedule, with assessment including an evaluation of marginal costs of processing errors.

We have also examined and reviewed, on behalf of regulators, cost impacts of implementing and updating workers’ compensation medical fee schedules.

Much of our experience supporting and maintaining medical fee schedules is at the detailed service and provider level. Although we have experience deploying high-level medical fee schedule updates (e.g., cost allocation across an existing design), our experience enables us to perform more detailed medical fee schedule analyses and therefore deliver more refined solutions.
II. B. 3. 3. Actuarial Expertise and Credentials (continued)

Experience Analyzing Large Medical and Prescription Drug Claims Data Sets
Oliver Wyman has significant experience working with very large datasets of medical claims information, including but not limited to various state all payer claim databases, insurance company claims databases, workers’ compensation claims databases, the Medicare 5% Sample Limited Data Set, and the Truven Health Analytics’ MarketScan database with roughly one terabyte of claim-line level detail for over 40 million lives. We have advanced computing resources dedicated solely to processing these datasets. Our analysts have knowledge of various programming languages such as SAS, R, and SQL and are experts at optimizing the manipulation of data in the most efficient manner.

Our team has extensive expertise in medical and prescription drug claims analysis. We are considered experts at managing and developing large and complex claims datasets, augmenting data as needed, and performing sophisticated statistical analyses to address complex issues. We are deeply familiar with diagnostic and procedural coding sets used on medical and prescription drug claim records such as CPT, HCPCS, DRG, APC, BETOS, ICD-9-CM and NDC codes. We utilize these codes regularly in our work to categorize claims by detailed service categories in the development of cost and utilization models for medical cost trend analysis, medical fee schedule analyses, utilization reporting, categorical data analyses, benchmarking, premium development and more.

Our data analysis is customized to each client’s needs, as standard “off-the-shelf” analyses do not consider the unique aspects of each study we conduct or reflect necessary control variables. Various statistical techniques are used in performing these analyses such as linear, logistic and multivariate regression analysis and time series analysis. Adjusted R² and mean squared error metrics are used to measure the goodness-of-fit and predictive power of each model. Where the data allow, we are able to apply sampling and statistical techniques to determine whether samples are representative of the population.

We use these analyses regularly to benchmark a subject population’s claims experience against either industry averages or a specified control population, or to measure changes over time. The results can be used to identify trends, such as spikes in utilization for a given condition or type of service, differences in utilization relative to a benchmark population, or opportunities for more efficient delivery of care. If the data reveal a growing trend in claims associated with a given segment of the population or condition, identification of these trends allows our clients to establish targeted programs and interventions.

Additionally, we are experienced in examining and analyzing large workers’ compensation claim databases. These databases are requested and used for unique client assignments that generally require the estimation of long-term liabilities for workers’ compensation medical benefits. Two examples of this type of work are provided in this response. These include the work performed for the New York State Workers’ Compensation Board and the work for the Secretary of State, Audits Division, State of Oregon.
II. B. 3. 3. Actuarial Expertise and Credentials (continued)

Experience Supporting Regulators
Oliver Wyman has an extensive history of providing actuarial services to many state regulators, including Virginia. Oliver Wyman has provided and continues to provide health actuarial services as advisors to regulators in many states on various actuarial engagements including workers’ compensation, rate filing reviews, healthcare reform strategy, financial examinations, new insurer licensing, and capital adequacy and sufficiency. We have provided actuarial services to the Virginia Bureau of Insurance for over 20 years.

Workers’ Compensation
Services we have provided to the Bureau related to workers’ compensation include annual recommendations of revised workers’ compensation advisory loss cost and assigned risk rates in Virginia. This includes a thorough review of submissions by the National Council on Compensation Insurance, including, but not limited to:

- Request and review additional data, as required.
- Provide additional information on targeted issues.
- Examine and opine on the appropriateness of conclusions proposed by NCCI.
- Present findings in direct, written testimony.
- Respond to requests for additional information from the applicant.
- Provide expert witness testimony at a formal hearing.
- Assist the Bureau of Insurance in other matters related to the proceedings.

In addition, we have provided an independent analysis of workers’ compensation rate filings, large deductible programs, etc. in Virginia, and assisted the Bureau of Insurance on matters of public policy related to workers’ compensation.

Health Insurance
Services we have provided to the Bureau related to health insurance are primarily related to the review of rate filings. These filings consist of individual major medical products, small group major medical products, Medicare supplement products, long term care insurance, other accident insurance such as hospital indemnity and cancer policies, and credit life and disability. During our tenure working for the Bureau we reviewed hundreds of filings which consisted of the following:

- Determine that the pricing developed follows the applicable Actuarial Standards of Practice and meets the requirements of state regulations and laws.
- Review of the pricing methodology, assumptions such as trend, duration, lapse rates, shock lapses, benefit factors, etc., and calculations for reasonableness.
- Compare assumptions, data, calculations and methodology to those used in previous rate filings for consistency and reasonability.
- Perform independent calculations where applicable.
- Compare assumptions and data to industry norms and our internal database for reasonableness.
II. B. 3. 3. Actuarial Expertise and Credentials (continued)

- Draft a brief report to the Bureau that includes our opinion as to the reasonableness of the requested rate increase.

We have also assisted the Bureau in the valuation of liabilities related to the Virginia Birth Injury Fund, and have assisted the Bureau with the development of prima facie rates for credit life and credit disability coverage sold in Virginia.

**Actuarial Credentials**

Our proposed key team members include members of both the Casualty Actuarial Society (CAS) and the Society of Actuaries (SOA). All of the credentialed actuaries listed as key team member are also members of the American Academy of Actuaries (AAA) in good standing. Several Oliver Wyman actuaries currently serve on CAS, SOA, and AAA committees and some chair committees. In addition, staff are regular speakers at professional actuarial conferences, like the Blue Cross/Blue Shield National Financial Actuarial, and Underwriting conferences, the Small Group Forum conferences and the SOA Health Care conferences, meetings of CAS, meetings of regional affiliates of the CAS, Risk Management Society (RIMS) annual meetings and meetings of affiliates, and others.

We believe it is important for the accomplishment of your stated goals for your team to have both extensive workers' compensation and medical/healthcare experience.

II. B. 3. 4. Resumes of Key Staff

*Resumes/vitas of key staff involved in the delivery of actuarial services in the development of the fee schedules*

The scope of work requested in the RFP calls for a multi-disciplinary project team with in-depth knowledge and expertise in the areas of workers' compensation, medical claims data, and statistical analyses, as well as knowledge of the Virginia market. The Oliver Wyman team provides the Commonwealth with this wide-ranging expertise by bringing together some of nation’s leading experts in these areas, and leveraging our years of experience working for various states on workers' compensation issues, as well as for many payers and providers developing, analyzing and revising medical fee schedules. Our team is comprised of actuaries from both our Self-Insurance Property and Casualty Actuarial Practice and our Healthcare Actuarial Practice, including the leaders of both practices. Our team’s experts average 25 years of experience, and all have or are currently performing work for the Commonwealth of Virginia. We understand that Virginia intends to take a unique approach to developing its new workers’ compensation medical fee schedule (WCMFS) which will require customized solutions, and our expertise and experience provides us with a rich palette of ideas and options we will bring to the Commonwealth to consider.

**Key Project Team Members**

Carefully selecting the right team for a project of this importance is the first step to ensuring its success. In doing so, we have considered not only the scope of work requested in the RFP but also the experience and strengths of each team member, and we have selected
II. B. 3. 4. Resumes of Key Staff (continued)

several of our most senior consultants. These consultants have broad and deep experience
and stay abreast of insurance workers’ compensation issues and trends, as well as changes
in how medical care is delivered and how medical claims are coded and reimbursed,
allowing them to deliver timely and creative advice, ensuring that the Commonwealth meets
its overall objectives and goals for the new WCMFS. Oliver Wyman’s approach to serving
clients emphasizes:

- Assembling the best team of seasoned, senior-level professionals with relevant
  consulting experience, along with other professionals at various experience levels to best
  match the required tasks.
- Ensuring continuity of service through sufficiency of resources.
- Designating team leadership responsible for coordinating team members and ensuring
  your expectations are met.

Oliver Wyman proposes the following project team in staffing this project. The team members
have all worked on numerous projects providing actuarial services that require skills consistent
with those necessary to deliver the services requested in the RFP. In addition they have
provided services to many state and Federal regulators in the past, including testimony at
regulatory hearings or briefings.

Scott Lefkowitz, FCAS, MAAA is a Partner with Oliver Wyman’s Property Casualty Actuarial
Practice and will be our Contract Manager. Mr. Lefkowitz is an expert in workers’
compensation issues and, among other roles, will be responsible for contract acceptance,
amendments, and oversight. His contact information is as follows:

Scott Lefkowitz, FCAS, MAAA
Partner
Contract Manager
631-577-0548
scott.lefkowitz@oliverwyman.com

Tammy Tomczyk, FSA, FCA, MAAA is a Senior Principal with Oliver Wyman’s Healthcare
Actuarial Practice and will serve as the Project Manager and will serve as the primary
contact for the Commonwealth throughout the project. Ms. Tomczyk has experience
managing large and complex projects, and she will monitor and oversee the engagement
process and will enable our team to deliver the project on time and on budget through
effective communication and facilitation that meets or exceeds the VWC’s expectations. Ms.
Tomczyk will be assisted in these functions by Diane Hart. Diane will serve as a dedicated
project assistant and will schedule meeting times and locations, prepare bi-weekly status
reports, track project completion against the project plan, and assist in developing
presentations. Ms. Tomczyk’s contact information is as follows:
II. B. 3. 4. Resumes of Key Staff (continued)

Tammy Tomczyk, FSA, FCA, MAAA
Senior Principal and Consulting Actuary
Project Manager
414-223-7988
tammy.tomczyk@oliverwyman.com

Brief descriptions for each key team member and their proposed role in providing the requested services are provided below; more detailed biographies for each team member is provided in Appendix A.

Scott Lefkowitz, FCAS, MAAA, FCA is a Partner with Oliver Wyman’s Property and Casualty Actuarial Practice and manages the Melville, NY office and will serve as a Project Lead. Mr. Lefkowitz has over 29 years of actuarial experience in the insurance and risk management industry and has been providing consulting services at Oliver Wyman for over 23 years. Mr. Lefkowitz is well regarded as an expert on workers’ compensation issues and devotes a large portion of his time to addressing actuarial issues related to workers’ compensation insurance. These include reserve analyses, ratemaking, performing cash flow projections, and conducting experience rating studies, and jurisdictional research and analysis. Responsibilities also included the review of calculated cost impacts of implementation and updating of medical fee schedules in various states. Mr. Lefkowitz has conducted specific studies or provided consulting services specific to jurisdictions that include Virginia, New York, California, Florida, New Hampshire, Vermont, Maine, Rhode Island, Massachusetts, Oregon, New Jersey, Pennsylvania, Colorado and others. Mr. Lefkowitz is also experienced and knowledgeable with federal jurisdictions that include the Longshore and Harbor Workers’ Act, the Coal Mine Health and Safety Act, the Federal Employees Compensation Act, the Federal Employees Liability Act (or Jones Act). Mr. Lefkowitz recently completed an exhaustive study on occupational disease on behalf of the Canadian Institute of Actuaries. Mr. Lefkowitz has conducted research and designed algorithms to assist with forecasting the incidence and cost of latent diseases claims across a 50+ year reporting horizon. He has also conducted related research into forecasting long term workers’ compensation medical costs associated with claims that have lifetime medical exposure. Mr. Lefkowitz is intimately familiar with the workers’ compensation system in Virginia, have provided consulting services on workers’ compensation issues to the Bureau of Insurance since joining Oliver Wyman in 1993.

Tammy Tomczyk, FSA, FCA, MAAA, is a Senior Principal with Oliver Wyman’s Healthcare Actuarial Practice and will serve as a Project Lead. She is a healthcare actuary with almost 25 years of actuarial experience, and is an expert on medical claims data and reimbursement structures. She has worked with both healthcare payers and providers in analyzing different methods of reimbursement including the assessment and development of various medical fee schedules, and the design of risk sharing mechanisms and other reimbursement methods. She has assisted providers in analyzing the impact of retrospective adjustments to medical fee schedules resulting from experience based reimbursement agreements, as well as adjustments to capitation arrangements to reflect changes in risk scores and benefits. She has significant experience working with large databases of
II. B. 3. 4. Resumes of Key Staff (continued)

hospital, physician, prescription drugs and ancillary claims and is deeply familiar with various
types of healthcare coding and payment methodologies. Ms. Tomczyk also has significant
experience pricing commercial healthcare products and has priced products in the individual,
small group, and large group markets, as well as hospital indemnity, critical illness, and
Medicare supplement products. Ms. Tomczyk is considered an industry expert on the
Affordable Care Act and has advised many policymakers on the anticipated impacts of
various changes brought about by the landmark legislation. She also has extensive
experience working for regulators and is currently the client manager for regulatory work
performed for the states of Hawaii, North Carolina, Vermont, Virginia and the District of
Columbia. Under this proposal, Ms. Tomczyk will oversee, coordinate and advise the staff
responsible for analyzing the claims data and developing the proposed medical fee
schedules, as well as be responsible for all deliverables and the overall completion of the
project to the VWC’s satisfaction.

Josh Sober, FSA, MAAA, is Principal with Oliver Wyman’s Healthcare Actuarial Practice
and will serve as a Project Lead. He is a healthcare actuary with 15 years of actuarial
experience, and is an expert on medical claims data, alternate payment methods, and
statistical methods. He has worked with both healthcare payers and providers designing
various types of reimbursement structures and is thoroughly familiar with various types of
healthcare coding. He also has significant experience pricing Medicare Advantage and
commercial products. Specifically, he has supported clients in the Medicare Advantage
market since the Medicare Modernization Act of 2003 became effective in 2006. He has
supported clients on the pricing of commercial products, including large group, small group
and individual pricing in the pre-ACA and ACA-compliant space. Mr. Sober has assisted new
health plans in conducting feasibility analyses and supporting capital needs for license
application with state regulators. He has experience developing reserve estimates and other
accruals for both health plans and employers. Mr. Sober has also worked for federal and
state regulators (including the Virginia Bureau of Insurance) in conducting reviews of rate
filings. Prior to joining Oliver Wyman, Mr. Sober was an actuary with a large nationwide
insurer. His primary focus was in the development of new experience monitoring systems in
support of the pricing and sales areas. Under this proposal, Mr. Sober will oversee,
coordinate, and advise the staff responsible for developing the proposed medical fee
schedules and performing statistical analyses.

Chad Wischmeyer, FCAS, MAAA, CFA is a Partner with Oliver Wyman and leads the Self-
Insurance Property Casualty Actuarial Consulting Practice of Oliver Wyman Actuarial
Consulting. Chad has nearly 30 years of experience providing consulting services to various
types of entities covering nearly all property and casualty exposures. These clients include
self-insurance entities, insurance companies and regulators. Among work with other clients,
Mr. Wischmeyer has been the managing consultant or co-managing consultant for our work
with the Workers’ Compensation Services section of the Virginia Department of Human
Resource Management for nearly all of the 22 years we have worked with this state agency.
Chad has been a speaker and author to industry audiences on a variety of insurance related
**II. B. 3. 4. Resumes of Key Staff (continued)**

topics. On this team, Chad will serve as a peer reviewer and as a senior advisor providing strategy and advice on workers’ compensation issues both nationally and specific to Virginia.

**Kurt Giesa, FSA, MAAA,** is a Partner with Oliver Wyman and leads the Healthcare Actuarial Practice of Oliver Wyman Actuarial Consulting. Kurt will serve as a peer reviewer of the medical fee schedule development and as a senior advisor providing strategy and advice. Kurt has nearly 30 years of experience delivering actual consulting services and strategic advice to healthcare providers, payers, and their regulators. His work has been influential in the operation of the ACA markets. As examples, in 2010, he developed a model of the non-group market working with the Director of Policy at a large association of health plans. The Director of Policy used the model’s results to argue for the inclusion of the transitional reinsurance program which was written into the law and which brought $20 billion in funding into the non-group market to stabilize premiums there. More recently, Health and Human services cited his work and built on his analysis in their recent white paper on risk adjustment in the ACA markets.² Provider reimbursement is fundamental to his clients’ success and he has extensive experience working with health plans and providers analyzing, designing and implementing medical fee schedules and alternative reimbursement arrangements. He is responsible for Oliver Wyman’s Billed and Allowed Charge tool. This tool combines data from a number of sources and allows clients to benchmark their commercial fee schedules against market averages at the level of MSA, for both institutional and professional claims, and for professional claims, by specialty. He recently worked to design and implement a reimbursement arrangement between an ACO and an insurer that involved a medical fee schedule designed to produce competitive premiums and where the ACO would allow the insurer to cover its administrative costs, take a 3% profit and were the ACO takes risk for claims in excess of 105% claims corresponding to these competitive premiums. This arrangement allowed the provider to gain market share and allowed the insurer to access lives while accepting limited risk. He also has extensive experience serving regulators, and is sensitive to the fact that regulators serve multiple constituents.

The team of individuals above will be supported by three consultants who will be dedicated fulltime to the project. All of the consultants have significant experience working medical claims data and are experts in data analysis and modeling.

**II. B. 3. 5. Oliver Wyman’s Financial Status**

*Address your firm’s current financial status to clarify your firm’s financial stability and solvency during the contract period.*

Oliver Wyman is a wholly-owned subsidiary of the Marsh & McLennan Companies which is a publicly-held company with over $13 billion in annual revenue. Its stock (ticker symbol: MMC) is listed on the New York, Chicago, and London stock exchanges.

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II. B. 3. 5. Oliver Wyman’s Financial Status (continued)

Marsh & McLennan Companies’ most recent financial statement information can be found at the following link.

Annual 10-Ks, quarterly 10-Qs and various prospectuses related to miscellaneous securities can be accessed at the following link:

Hard copies can be provided upon request.

II. B. 3. 6. Oliver Wyman’s Website

Provide your firm’s website if applicable where more information can be obtained regarding your firm.

Oliver Wyman’s website is: http://www.oliverwyman.com

II. B. 3. 7. Attachment A Data Sheet

Include Attachment A Data Sheet and clearly identify all reference contact information as requested, with governmental agency references preferred.
1. **QUALIFICATIONS OF OFFEROR**: The Offeror must have the capacity in all respects to fully satisfy all of the contractual requirements identified within. It is the responsibility of the offeror to provide sufficient information in their proposal to enable the evaluation panel to determine the offeror’s qualification.

2. **YEARS IN BUSINESS**: Indicate the length of time you have been in business and providing this type of service:

   Thirty-two years

3. **REFERENCES**: Indicate below a listing of at least four (4) recent references for whom you have provided similar services as described therein. Include the date service was furnished and the name and address of the person the evaluation panel should contact. Offeror must validate the contact information prior to submission of proposal. The evaluation panel will not be obligated to request missing information and/or request correct contact information, etc. Provide a brief narrative statement for each reference describing the service provided. Expand on this format as needed. (If this information is included elsewhere in your firm’s proposal, you may refer to the location of this information.) References from governmental agencies are preferred.

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Describe project & relativity to this RFP:
II. B. 4. Methodology, Data and Timeline

*Fully describe the Specifics of the Proposal, including the Methodology and the data set(s) that the Offeror intends to utilize in performing the contracted work. The Offeror must include sufficient detailed information to identify how the offeror intends to comply to the requirements of the RFP. Describe your firm’s specific plans and approach to meet the goals of the RFP. Such detailed plans should include a proposed timeline for performing and completing the contracted work and describe how the Offeror intends to interact with providers, insurers and other stakeholders to test and validate the data and the resulting proposed fee schedules.*

The design and implementation of a WCMFS in Virginia is an important development for all stakeholders including employers, their insurers, employees, and service providers. The development of the WCMFS must recognize the needs of all stakeholders and accomplish the goals of reducing the large variation in provider fees across the Commonwealth, ensuring fair compensation to providers, and ensuring no net change to overall medical fee payments. This latter item is a critical element of the legislation mandating the establishment of the WCMFS in Virginia. In many other jurisdictions, the primary purpose of the establishment of a WCMFS was to reduce and control workers’ compensation medical costs. As shown in Oliver Wyman studies, Virginia is among the lowest workers’ compensation cost states. As a result in Virginia the primary purpose of the legislation is to reduce the large variation in medical costs across the state in a manner that does not affect overall medical payments, and at the same time promote transparency. This is a fundamentally different purpose from the implementation of WCMFS’s in other jurisdictions and therefore the process of developing and implementing the WCMFS in Virginia requires a customized approach with expertise from both casualty and health actuaries who are familiar with the unique characteristics in the Commonwealth.. We believe that the following work plan will meet these goals and follow the requirements as established by the legislation. We plan to complete the scope of work through eight phases:

1. Data Review
2. Research Review
3. Stakeholder Outreach
4. Identification of Principles
5. Medical Fee Schedule Design Proposals
6. Reimbursement Change Review
7. Implementation Considerations
8. Final Deliverables
II. B. 4. Methodology, Data and Timeline (continued)

The following is an individual discussion of each phase:

Data Review
In order to ensure that the new medical fee schedules are consistent with Virginia’s goal of preserving current reimbursement rates/medical costs, we will need data with sufficient volume and detail so that we can evaluate service costs by several key characteristics, and at the same time ensure that the evaluation generates credible results at the procedure and territory level in Virginia. In particular, we are assuming that this project will be grounded in workers’ compensation claims data specific to Virginia. If the WCMFS is to be derived empirically (at least in part), it will be critical that the supporting medical payment cost information is accurate and reasonably representative. We expect that the first phase in the project scope will include an examination of the available data as well as the potential creation of data requests for the purpose of gathering supplemental data.

We anticipate using data from the National Council on Compensation Insurance (NCCI), a licensed workers’ compensation statistical and data gathering bureau. We recently attended the Virginia Self-Insurer Association’s 2016 General Meeting, which focused almost entirely on the recently enacted medical fee schedule legislation. At this meeting, several members of the 10-person regulatory advisory panel made presentations and communicated a clear preference to utilize NCCI data. In addition, we contacted NCCI and conducted our own research. NCCI confirmed that they have the necessary data in the appropriate format to serve as the basis for the medical fee schedules mandated by the legislation. Additionally, NCCI confirmed that as long as the data is requested by a regulatory agency for the purpose of generating work products under the umbrella of legislative analysis, the data could be made available to a consultant for this project, provided we execute a standard user agreement with NCCI. Our research confirmed that the NCCI Medical Call dataset contains claim line level medical and prescription drug data. We also found that the NCCI data includes a wide range of data fields that would be required to perform the proposed analysis.3

As part of the initial data examination, we will review and summarize data elements, identifying any potential issues or shortcomings (e.g., limited data in a specific geography and provider type, exceptional variation in fees for specific services within a single geography, etc.). The data summaries will explicitly consider cost levels by geography and provider type as mandated in the legislation, payer (if available), diagnosis, procedure code, place of service, etc., with the claims experience period specified by the legislation.

We will communicate to the advisory panel any potential issues we find within the available information. Incomplete coding, missing explanatory fields, or inadequate representation of

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3 https://www.ncci.com/LearningCenter/Documents/LC_Download_Medical-Data-Call-Rptg-Rules-Select-Data-Elements.pdf
II. B. 4. Methodology, Data and Timeline (continued)

certain services (e.g., audiology) could all complicate efforts to develop a WCMFS that is based solely on experience in Virginia. As potential data issues materialize and become clear, we will document and communicate them while also offering possible solutions. The ability to offer solutions to potential data issues will be a critical step in this process, as it is our experience that perfect data are exceedingly rare. Our considerable experience in dealing with large medical datasets and various claim coding methodologies will be crucial in this phase of the project.

An important consideration is that the NCCI dataset includes data only from insured employers. Self-insured employers do not report their data to NCCI. However, the medical fee schedules mandated by the legislation will apply to all employers, regardless as to how they elect to manage their workers’ compensation risk. Therefore, we will discuss potential methods and approaches to obtaining medical payment data from the self-insurance market. This data will be examined to test and validate how well the NCCI data represents the costs of the entire workers’ compensation market. It is quite common for self-insured employers to have lower medical utilization and earlier return to work resulting in lower costs, but it is not clear if the per procedure cost is different from insured employers. The review would confirm one of two conclusions: that insurance market payment data from NCCI is sufficiently similar to self-insurance medical payment data such that no further adjustments are necessary, or, that there are sufficiently credible differences between payment levels in the two markets indicating that an adjustment is warranted to the data obtained from NCCI. Any adjustments applied to NCCI data would be to ensure that the resulting WCMFS is representative of the entire Virginia workers’ compensation market. We would not propose developing the medical fee schedules based on the combination of NCCI and self-insured data. Self-insured data may come directly from large self-insured employers or groups, or indirectly from their third party claim administrators (TPAs). Note that self-insurance market data is likely to come from different sources with differences in data fields and data specificity. Combining multiple data sources can create significant challenges, from differences in the way units are counted to differences in claims adjudication practices. However, as noted earlier, we are experienced in working with claims files from many different sources, and therefore are able to manage these issues.

To the extent that, for any reason, additional data beyond the data discussed above is needed, we would work quickly with the VWC and the advisory panel to prepare a data call from the applicable payers, specifying the scope and format of any information needed to continue the analysis.

Because the data will be such a critical part of all the steps that follow, we will provide our summary and issue-identification observations through interim communication. We expect that this communication would include a roster of supporting charts and tables, which we would summarize and discuss with key parties to the project. Ultimately, the supporting tables would be included in the appendices of the final deliverable.
II. B. 4. Methodology, Data and Timeline (continued)

Research Review
We propose to conduct a review of available research on the implementation hurdles and unexpected consequences that might follow a program change of this magnitude. In particular, our hope would be to engage in discussions with NCCI on these specific issues. NCCI operates in 36 states, including Virginia, most of which have WCMFSs in place. Additionally, two states that have independent local rating organizations engage NCCI to provide advisory statistical services for those jurisdictions. NCCI has a vested interest, as a representative of the insurance industry, in seeing the smooth and efficient implementation of the WCMFS in Virginia. Additionally, we will contact jurisdictions with independent rating organizations. For the Virginia WCMFS implementation, we expect that the research will identify and examine challenges faced by other jurisdictions that have introduced medical fee schedules. All of this work will be conducted within the context of the specific goals of the legislation mandating the WCMFS in Virginia, as well as the needs of all stakeholders.

Other sources, beyond workers’ compensation systems, have the potential to provide useful information. There is extensive literature regarding managed care on how medical fee schedule reimbursement shapes behavior relative to other reimbursement models. In addition, Oliver Wyman has a research arm that we would use for compiling information from academic journals and other publications. Through this research, we would identify issues and concerns associated with the implementation of the medical fee schedules, including any impact that the introduction of a WCMFS had in other states.

We would summarize the findings from this research in a written document, which we would share with the VWC for discussion with various stakeholders. The sources, notes, and conclusions from the research would also be included as an appendix to the project’s final deliverable.

Stakeholder Outreach
We believe it will be critical that the design and approach towards accomplishing the goals embedded in the mandated WCMFS legislation be shaped by the needs of the various stakeholders. We anticipate that the make-up of the advisory panel will be roughly representative of the key stakeholders, and that direct stakeholder outreach may not extend beyond the advisory panel, at least initially. There are several natural demarcation points in the process that suggest the opportunity for stakeholder communication. However, stakeholders should, at a minimum, be allowed to voice positions and concerns at the project’s outset. This process of seeking stakeholder input is important to understanding the stakeholders’ concerns about the process of WCMFS design and approach. It is also important for identifying characteristics that various stakeholders believe must be reflected in the WCMFS design or that must be avoided. Equally important during the process of stakeholder outreach is explaining, in clear, non-technical language, why certain elements suggested for the process of design and approach are critical. Our professional expertise on technical matters and our emphasis on clear communication will help facilitate the process. Our understanding is that the path that led to the legislation mandating the WCMFS was challenging, primarily because of the differing concerns among the various stakeholders in
II. B. 4. Methodology, Data and Timeline (continued)

the process. Effective communication of key issues will help to allay any unnecessary concerns and encourage debate during the project. This is not to suggest that we can eliminate all difficult discussions. However, effective communication and process management will minimize the number and severity of such situations. This outreach is an essential part of an overall process to establish credibility and trust with all those participating in or affected by the project.

The information gathered through our research will allow us to adjust our proposed WCMFS design and approach prior to any actuarial analyses being performed. Upfront stakeholder guidance will in turn lead to a more efficient process that can be successful in meeting the proposed timeline. With several months having elapsed since the passage of the law, stakeholders may be in a position to identify new and previously unspecified opportunities and challenges. Although this stakeholder feedback could be conducted in written form, we suggest that regular, periodic teleconferences would allow for the elicitation of detailed information and provide us with a more timely and comprehensive understanding of stakeholder needs. It would also support the stakeholders in gaining a more comprehensive understanding of key concepts and challenges we encounter during the project. Additionally, an in person meeting may be required as well. The basis for this recommendation is our experience with projects that impact multiple stakeholders with varying interests. Frequent and consistent communication is invaluable for assuring that stakeholders accept the recommended process and final results.

Finally, the stakeholder meetings will allow us to understand those WCMFS elements where there may not be consensus. For the stakeholders to agree on the new framework, we should be in a position to address any concerns that result because of conflicting needs. In addition, the WCMFS design should, as much as possible, support those aims for which the stakeholders have voiced general consensus.

We would summarize the main points expressed by the stakeholders, compiling comments and considerations into a framework that would permit comparison across parties. We would also strive to retain sufficient supporting information (e.g., full quotes) so that context around any comments is fully retained.

Identification of Principles
In order to provide structure to subsequent technical analysis, we would prepare a document outlining core principles around the proposed WCMFS. These principles would represent a distillation of the information discovered during the research review and stakeholder outreach. We expect that the principles would inform decisions around the reimbursement architecture.

In order to ensure that this statement of principles only reinforces the intent of the law, we would work closely with the VWC during the development of this deliverable. We understand that the legislation mandating the WCMFS in Virginia is unique and was passed because
II. B. 4. Methodology, Data and Timeline (continued)

there is a need for greater predictability and transparency regarding workers’ compensation medical fees in the Commonwealth. We fully understand that the WCMFS should not negatively affect the covered employees, and that the providers should be kept whole in total. The principles underlying the WCMFS should only reinforce these expectations.

Medical Fee Schedule Design Proposals
The technical phase of the project would begin with the identification of WCMFS design alternatives. With the groundwork performed in the previous phases, the development of WCMFS design alternatives should more closely meet the needs of the stakeholders and the Commonwealth. That groundwork will also allow for greater expediency through the subsequent phases.

The design alternatives would consider potential qualitative differences in the WCMFS for services delivered by different providers or in different settings. As an example, facility reimbursement for inpatient charges might be supported with diagnosis related group (DRG) codes and corresponding provisions for outliers. Depending on the needs expressed by the stakeholders, we will propose the qualitative design differences that both meet those needs and minimize complexity and administrative burden.

The degree to which the WCMFS reimbursement is tied to historical experience will influence the nature of future incentives faced by stakeholders. For example, two services with comparable clinical efficacy and resource usage might have significant reimbursement differences if the WCMFS design relies entirely and without adjustment on the base experience. Alternatively, a design that places heavy weight on theoretical relative resource usage would be internally consistent but might create significant changes in reimbursement for some providers. In examining these design bases, we would identify the strengths and weaknesses associated with each approach. The quality of the available data will be an important consideration when determining how much adjustment to apply to the historical experience.

The technical methods applied in calibrating the medical fee schedules will also influence the final reimbursement. The method (or methods) employed should seek to minimize changes in reimbursement for providers. For services where historical reimbursement has varied significantly from provider to provider, the need to maintain stability becomes more challenging. The method should also permit identification of appropriate fees for services where there is little or no historical experience, for example for new services and procedures. Some methods will promote one goal at the expense of others. We will identify these tradeoffs in model calibration as part of this phase, while seeking feedback from the advisory panel on the best solution. As noted earlier, when these issues arise, we will communicate the issues in a clear, concise manner that the advisory panel will understand to ensure that feedback is relevant and on point.

Decisions on the WCMFS design and calibration will have consequences in future years as well. Although the law provides guidance on the overall rate at which the medical fee
II. B. 4. Methodology, Data and Timeline (continued)

schedules should grow, it does not prescribe the manner in which reimbursement might change across services. Some designs could limit the administrative burden associated with future refinements. We would also comment on potential challenges WCMFS design features could create as the WCMFS ages. For example, technological advances could alter the relative cost of providing different services, which in turn may warrant updates to fees that are not uniform across all services. Our experience in these matters will enable us to advise stakeholders on these issues.

We will communicate the results of these design proposals to the VWC and the advisory panel, specifying how certain design considerations will promote the principles supporting the model, and how others might not. We will also identify those design considerations that could adversely affect the various stakeholders. In this phase, the identification of adverse effects would be qualitative in nature; it would not yet recognize any quantitative effects. We will also facilitate any communication of these design considerations with the advisory panel, working with the VWC to solicit feedback as appropriate. As a consequence of these discussions, we expect to finalize a preliminary approach that broadly meets the needs of the parties involved.

Once the approach and design to developing the medical fee schedules has been finalized, we anticipate that they will be shared by the VWC through a public meeting. We expect that we may be asked to participate in the meeting to assist in answering questions and to hear the comments and concerns that may be raised. Many of those who attend the public meeting will likely share most of the same views and concerns as one or more of the members of the advisory committee, and therefore significant new issues may not arise. However, we will schedule a follow-up call with the advisory panel to discuss any new issues raised by the public, discuss whether the proposed approach and design warrant revision, and work swiftly to finalize any revisions.

The Medical Fee Schedule Design Proposals phase will include theoretical discussions of the WCMFS. However, these discussions will be shaped and informed by technical analyses. Concurrent with the presentation of design alternatives, we will conduct the modelling work that is at the core of this project. The Medical Fee Schedule Design Proposals phase will include iterative calibration of fee schedule elements, clarification of opportunities to stakeholders and refinement of the approach. Our expectation is that this development of the underlying architecture will be relatively invisible to the stakeholders. As we emerge from this phase of the project, the technical work of building the model will largely be in place.

Reimbursement Change Review
Once the WCMFS design specifications are determined we would calibrate the selected models, and begin producing the actual fees. In addition to understanding how the designs conform with goals specified in the law and by stakeholders, the model evaluation should consider how reimbursement changes will affect various stakeholders. In this phase of the project, we would examine the financial consequences of the proposed models.
II. B. 4. Methodology, Data and Timeline (continued)

Our examination would begin with a summary of workers’ compensation medical reimbursement changes across many of the same categories specified in the Data Review phase. We would examine how reimbursement would change across provider type, across geography, etc. As much as possible, we will communicate how reimbursement would change, on average and in aggregate. Although the intent of the new designs is cost neutrality, there will almost certainly be pockets of providers or services where fees will be different than what has been paid in the past. In support of this effort, we would employ independent data sources (e.g., the MarketScan data maintained by Truven Health Analytics) where base experience is inadequate. We would also employ statistical methods to evaluate those pockets where cost changes may not be certain.

Depending on the level of variation discovered as part of the review, we will identify those geographic areas where providers may be less likely to accept workers’ compensation patients. Although we do not expect the need for this kind of analysis, we also understand that there is concern about potential changes in access as a result of the new WCMFS.

If, after this phase of the analysis, there is more than acceptable deviation from cost targets or the underlying principles, we would inform the advisory panel and propose alternatives to correct the disparity.

As a result of the introduction of the WCMFS, there will be secondary effects that will be important for citizens and organizations in the Commonwealth. For example, more predictable costs may reduce the margin needed by Virginia’s workers’ compensation carriers, which could reduce their premium. Similarly, more stable compensation could influence the nature of any litigation resulting from workers’ compensation claims. Although these changes will be important, the affected systems have more variables and underlying complexity than is considered within this proposal. Our review will be restricted to changes in provider reimbursement.

Implementation Considerations
With the introduction of the new WCMFS, there will be implementation opportunities and challenges depending on the structure of the new reimbursement architecture. As an example, the introduction of a fixed set of fee schedules could create new coding challenges while eliminating the cost for payers and providers to determine an appropriate reimbursement for a specific service. We will work with stakeholders to document and communicate these implementation opportunities and challenges.

Although this phase will explicitly contrast day-to-day implementation considerations between the proposed WCMFS against the current prevailing reimbursement model, we will also attempt to identify broader implications. For example, we may find that there is a meaningful expectation of administrative savings for providers or payers. We may find that there are opportunities for data aggregation across payers that would not have been possible before. To the extent such considerations are present, we will also comment on the consequences of these longer term interests.
II. B. 4. Methodology, Data and Timeline (continued)

**Final Deliverable**
Throughout the phases of the project, we expect to have regular contact with the VWC and the broader advisory panel. In the preceding subsections, we have identified a number of deliverables for which we would seek comment from both parties.

Once all phases of the work are complete, we would prepare a report outlining the goals of each work phase, the process we took to accomplish those goals, and a characterization of the final deliverable. We would also prepare a presentation to the VWC outlining the major elements of the project. This presentation would summarize the main points of the final report. We would expect follow-up on both deliverables as the consequences of the document are more widely disseminated across additional stakeholders, and we would anticipate that a public hearing may be held to present the analysis and receive public comment.

**Timeline**
We anticipate that the project will begin around September 1, 2016 and progress under a relatively tight timeframe. Much of September and early October will involve various tasks to initiate the project, obtain and review data from NCCI (and self-insurers if necessary), conduct research, and engage with stakeholders. A formal on-site project kick-off meeting is planned for early September, after which the project plan and timeline will be updated and finalized.

The remainder of our work is targeted to be completed by year-end. Much of our work will follow a schedule consistent with the eight project phases outlined above, and will include periodic meetings with the VWC and the advisory panel. The construction of the WCMFS is a significant effort scheduled to occur over a relatively short period of time. The expeditious delivery of appropriate data sets and timely feedback (i.e., from the advisory panel and other stakeholders) will be crucial to our ability to meet this very aggressive timeline.

We have attached a Gantt chart with a proposed project timeline, outlining anticipated timing for each of the key tasks and deliverables. If awarded the project, we would work with the advisory panel to revise the timeline as needed, including the addition of additional specificity, to ensure it meets the goals of this very important project.
1. Data Review
2. Research Review
3. Stakeholder Outreach
4. Identification of Principles
5. Fee Schedule Design Proposals
6. Reimbursement Change Review
7. Implementation Considerations
8. Final Deliverable

1. Predecessor tasks 1 to 3 must be complete in order to finish
2. Predecessor task 4 must be complete in order to finish
3. Predecessor task 5 must be complete in order to finish
4. Predecessor tasks 1 to 7 must be complete in order to finish
5.

II. B. 5. Proposed Price

Proposed Price. A price to provide all services as described within is requested in the Pricing Schedule. Price shall be fully burdened to include all costs for actuarial services on deliverables (research, assumptions, draft schedules, final schedules, et cetera).

The fees proposed by Oliver Wyman are applicable to the scope of work as outlined in our proposal, and for the period of the contract, through December 31, 2016. They are fully burdened and inclusive of all administration, technical fees, overhead and travel expenses. The fees do not anticipate additional services outside of those outlined in the proposal, or the need to purchase data as it is our understanding that the NCCI data will be made available at no cost, once a data use agreement has been signed.

We believe that there are cost savings to the VWC related to the award of this contract to Oliver Wyman. Oliver Wyman has significant expertise in both workers’ compensation and medical services, significant experience analyzing and developing medical fee schedules, and a deep understanding of medical claims coding. Because we have experts in all of these areas, we are able to deliver a more robust set of services in a manner that is more efficient and cost effective than firms focusing solely on workers’ compensation or solely medical claims analyses. As part of a large, worldwide corporation, we have access to our in-house research arm that we would use to efficiently compile information from academic journals and other sources in order to identify issues and concerns associated with the implementation of the workers’ compensation medical fee schedules in other states. We attended the VSIA meeting in early June and based on a number of conversations with key stakeholders at that meeting and before, we feel that we have a unique understanding of the Commonwealth's needs that other consulting firms may not possess. Finally, we know the Virginia market from both a workers’ compensation and healthcare perspective. Our Virginia experience includes clients that are self-insured for workers’ compensation, insurance companies that write workers’ compensation coverage in Virginia, and our healthcare and property & casualty work with the Virginia insurance regulator.

To manage costs, Oliver Wyman will dedicate a project manager to oversee the entire project. Oliver Wyman will continually measure and monitor three project drivers: results (deliverables), resources (people and information) and time (project timeline). Through project monitoring and updating, the project manager will identify and address internal resource needs, as well as external requirements/clarification. Oliver Wyman will also monitor actual hours expended against budgeted hours on a regular basis by reviewing the portion of the budget used versus the estimated portion of the project completed. These ongoing monitoring efforts will allow the Oliver Wyman contract/budget manager to effectively coordinate and manage the work efforts of assigned staff to ensure all tasks, activities and functions are completed in a timely and cost effective manner.
II. B. 5. Proposed Price (continued)

To be cost effective, Oliver Wyman assigns tasks to the most economical staff possessing the requisite skills to complete the task. Senior staff will focus on strategy, stakeholder outreach, client management, client presentations and peer review of all work products, as well as providing direction for more junior staff. Junior staff will be responsible for activities such as data validation, producing data summaries, and developing and running the models to develop the proposed fee schedules. We will modify the mix of staffing, as necessary, to ensure quality work and timely deliverables. At the same time, due to the complex nature of this engagement, our most senior resources will be making a significant contribution to the project.

Cost for Initial Fee Schedules Delivered 1/1/2017: $784,400
6. Proposed Contract Exceptions

The following are suggestions for modifications to the materials provided by The Commonwealth of Virginia (the “Client”) in connection with the Request for Proposals No. 1916003 relating to Actuarial Services to Develop Workers’ Compensation Fee Schedules for Medical Services. Oliver Wyman Actuarial Consulting, Inc. (“We” or the “Consultant”) is willing to discuss and consider alternatives that are mutually acceptable to Consultant and Client. We note these

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<th>CLAUSE NO.</th>
<th>PROVISION</th>
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<tr>
<td>General CGL Insurance</td>
<td>We suggest clarifying that the Client will be included as an additional insured for its vicarious liability resulting from the Consultant's provision of services under the Contract and so endorsed on the policy. Consultant is covered under a comprehensive insurance program designed by Marsh &amp; McLennan Companies, Inc., its ultimate parent company, and additional insured status under the Consultant’s CGL policy is provided on a blanket coverage basis – as such, clients cannot be “named” as additional insureds.</td>
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<td>Ts&amp;Cs Section T.3</td>
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<td>Special Indemnification; limitation of liability</td>
<td>We suggest including the following language in the Special Terms and Conditions: LIMITATION OF LIABILITY: Except for liability for (i) claims for bodily injury, including death, and real and tangible property damage, (ii) any intentional or willful misconduct or gross negligence of Contractor or any employee, agent, or subcontractor of Contractor, (iii) Contractor's violation of any applicable law, (iv) Contractor's breach of its obligations as provided in section XIV, Special Terms and Conditions, E. confidentiality of information, and (v) Contractor's infringement of any third party's intellectual property rights, Contractor's aggregate liability shall be limited to $2,000,000 or the total professional fees paid to the Consultant for such services, whichever is greater.</td>
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<td>Ts&amp;Cs Section V</td>
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<td>*Please note that an Assistant Attorney General for Virginia recently approved the foregoing language in a recent contract with the Virginia Bureau of Insurance. We would welcome a similar clarification in any contract resulting from this RFP.</td>
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*OLIVER WYMAN*
Additional Terms
We suggest including a provision substantially similar to the following, which an Assistant Attorney General for Virginia recently approved for inclusion in a contract with the Virginia Bureau of Insurance:

JURY WAIVER: Each party, on behalf of itself and its affiliates, to the fullest extent permitted by law, knowingly, voluntarily, and intentionally waives its right to a trial by jury in any action or other legal proceeding arising out of or relating to this Agreement or the services provided hereunder. The foregoing waiver applies to any action or legal proceeding, whether sounding in contract, tort, or otherwise. Each party, on behalf of itself and its affiliates, also agrees not to include any employee, officer or director of the other party or its affiliates as a party in any such action or proceeding.
Appendix A

Biographies for Key Staff

Attached are biographies for key staff members that will be assigned to this project. Biographies for all staff that would work on the project will be provided upon request.
Scott J. Lefkowitz is a Partner of Oliver Wyman Actuarial Consulting, Inc. and Leader of the Melville, New York office. Scott specializes in all lines of property/casualty insurance and is regarded as an expert in the area of workers’ compensation. Scott is currently the managing consultant for a variety of clients, including state regulatory authorities, government entities, investors, brokerage firms, educational institutions, health care systems, insurance companies, and industrial firms. Scott is a Fellow of the Casualty Actuarial Society, a member of the American Academy of Actuaries, and a Fellow of the Conference of Consulting Actuaries.

Professional Experience
Scott has over 29 years of actuarial experience in the insurance and risk management industry. Prior to joining Oliver Wyman, Scott was an Actuarial Manager at the National Council on Compensation Insurance. His responsibilities included all aspects of workers’ compensation ratemaking, as well as research and development. Since joining Oliver Wyman in 1993, Scott has provided a broad range of actuarial consulting services to property and casualty insurance companies, investors, brokerage firms, government entities, self-insured corporations, self-insured groups, and state insurance departments.

- Reserve analyses
- Risk program analyses
- Financial viability analyses
- Captive feasibility studies
- Profitability studies
- Litigation support
- Risk funding studies
- Expert witness testimony
- Research studies
- Rate analysis and program design

Mr. Lefkowitz is well regarded as an expert on workers’ compensation issues and devotes a large portion of his time to addressing actuarial issues related to workers’ compensation exposures. Mr. Lefkowitz has conducted specific studies or provided consulting services specific to jurisdictions that include New York, California, Florida, New Hampshire, Vermont, Maine, Rhode Island, Massachusetts, New Jersey, Pennsylvania, Colorado, and others. Mr. Lefkowitz is also experienced and knowledgeable with federal jurisdictions that include the Longshore and Harbor Workers’ Act, the Coal Mine Health and Safety Act, the Federal Employees Compensation Act, and the Federal Employee Liability Act (or Jones Act). Mr. Lefkowitz recently completed an exhaustive study on occupational disease on behalf of the Canadian Institute of Actuaries.

Speaking Engagements
Scott has spoken at CAS and risk management seminars.

Professional Activities
Scott has served on a number of committees of the Casualty Actuarial Society.

Sample Publications
- A Review of Current Workers’ Compensation Costs in New York
- New York State Workers’ Compensation Board Assessments
- Workers’ Compensation Claim Costs and Trends in MA (also CT, VA, NJ)
- Coal Worker Pneumoconiosis under United States Federal Law
- Implications of Unconstitutionality of Florida’s Attorney Fee Schedule
- Report to the Canadian Institute of Actuaries on Occupational Disease
- Implications of the Unconstitutionality of Closing the New York Reopened Claim Fund
Tammy P. Tomczyk, FSA, MAAA, FCA

Tammy Tomczyk is a Senior Principal in the Milwaukee, WI office of Oliver Wyman Actuarial Consulting, Inc. Tammy has almost 25 years of health care experience and she specializes in actuarial and strategic consulting to health plans, managed care organizations, providers, and state and Federal regulators.

Her present responsibilities include product development and pricing for many types of managed care and traditional plans, Medicare Advantage pricing, reserve analysis, development of provider capitation rates, trend analysis, review of filings for state insurance departments, fee schedule analysis, financial management and forecasting, underwriting process reviews, risk adjustment, and legislative analysis.

Tammy is heavily involved in health care reform and is considered an industry expert on the Affordable Care Act (ACA), specializing in the individual and small group markets. In addition to assisting health plans in the development and pricing of ACA compliant products, she has assisted several states enhance their rate review processes to achieve effective rate review status, and has performed many studies to assist states in the planning and development of state based Exchanges.

**Professional Experience**
- Assisting health plans develop pricing and product strategies for the post-2014 reformed individual, small group and large group markets
- Strategy, pricing, preparation, certification and audit of Medicare Advantage Part C and Part D bids
- Assisting CCIIO in the development of the rate review requirements for the Federal fallback Exchanges
- Assisting several states plan for the implementation of state based Exchanges
- Analysis of provider incentive and capitation arrangements including PMPM and percentage of revenue capitation arrangements, and other models
- Primary author of Oliver Wyman’s Healthcare Reform Microsimulation Model
- Responsible for the creation, oversight and maintenance of Oliver Wyman’s suite of commercial pricing models
- Performing comprehensive reviews of new business and renewal underwriting strategies, including the development of merit underwriting models
- Review of health filings for several state departments of insurance

**Professional Activities**
- Expert witness providing testimony at several hearings in the states of Maryland, Vermont and Virginia
- Co-author of numerous reports and studies related to the Affordable Care Act
- Author of several study manuals and other materials used by students preparing for the Society of Actuaries exams

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**Tammy Tomczyk**
Senior Principal

411 East Wisconsin Avenue
Suite 1300
Milwaukee, WI 53202

Tel  414.223.7988
Fax  414.223.3244
Cell  414.333.0796

[www.oliverwyman.com](http://www.oliverwyman.com)

**Professional History**
- Senior Principal / Oliver Wyman Actuarial Consulting Inc. (2000-Present)

**Professional Memberships**
- Fellow of the Society of Actuaries (2004)
- Member American Academy of Actuaries (2001)
- Fellow of the Conference of Consulting Actuaries (2014)
- Fellow of the Life Office Management Association (1995)
- Associate of the Health Insurance Association of America (1993)
- Member, American Academy of Actuaries Healthcare Reform Premium Review, Health Care Reform Benefits, Actuarial Value, and Insurance Exchanges workgroups

**Education**
- University of Wisconsin – Whitewater, B.B.A., Finance and Mathematics, *cum laude*
Josh Sober is a Principal in the Healthcare Practice of Oliver Wyman Actuarial Consulting, Inc. He provides consulting services to health insurers, managed care organizations, health care providers and state regulatory agencies. His present responsibilities include the pricing of Medicare Advantage products, assisting clients in determining product design and program strategy. Josh also works with commercial insurers in the pricing of individual and group products. His other responsibilities include the review of alternative payment programs, the evaluation and design of risk adjustment processes, reserve analysis, and provider contracting analysis. Josh has also performed forecasting and financial valuations for start-up organizations. Josh has provided actuarial consulting services for 15 years. Prior to joining Oliver Wyman, Josh was an actuary with Assurant Health. His primary focus was in the development of new experience monitoring systems in support of the pricing and sales areas.

Professional Experience
Josh’s recent assignments include the following:

- Analysis of accountable care contract provisions from both the payer and provider perspective.
- Pricing of individual and group major medical commercial health products for large provider owned health plan.
- Review of health system liabilities under the Center for Medicare and Medicaid Services’ Bundled Payment for Care Improvement Initiative.
- Financial forecasting and feasibility analyses for start-up insurer.
- Analysis of risk adjustment design alternatives for public policy arm of large national insurer.
- Development of liability estimates for health insurers offering coverage under the Affordable Care Act; this included the review of insurer liability for risk transfer, reinsurance, risk corridors, and cost sharing reduction subsidies.
Chad C. Wischmeyer, FCAS, MAAA, CFA

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<th>Chad Wischmeyer</th>
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<tr>
<td>Partner and Practice Leader</td>
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<tr>
<td>P&amp;C Self-Insurance</td>
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<td>Oliver Wyman Actuarial Consulting</td>
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<tr>
<td>Two Alliance Center</td>
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<tr>
<td>3560 Lenox Road</td>
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<tr>
<td>Suite 2400</td>
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<tr>
<td>Atlanta, GA 30326</td>
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<td>Tel 404 239 6422</td>
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<tr>
<td>Fax 404 239 6404</td>
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<td>Cell 678 296 7436</td>
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<td><a href="http://www.oliverwyman.com">www.oliverwyman.com</a></td>
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**Professional Experience**
With almost 30 years of actuarial experience, including 28 years of consulting experience, Chad has extensive knowledge of most property and casualty exposures, including workers’ compensation, healthcare professional liability, general liability, and automobile liability. Chad's assistance to corporate and governmental entities that retain large portions of their casualty risk and their captive insurance companies and other clients includes:

- loss and loss adjustment expense reserve analyses
- loss reserve variability assessment
- actuarial statements of opinion
- development of cost allocation models
- forecasts of premium requirements
- risk retention/reinsurance analysis
- litigation support/testimony
- evaluation of classification and rating plans
- overall rate of return projections
- self-insurance funding studies
- predictive modeling
- economic capital modeling
- rate filing review and financial examination audit support for several state insurance departments.

**Publications, Speaking Engagements and Professional Activities**

- Has spoken at various seminars, including the CAS Annual meeting, the Conference of Consulting Actuaries and the Casualty Loss Reserve Seminar (an annual event jointly sponsored by the American Academy of Actuaries, the Casualty Actuarial Society, and the Conference of Consulting Actuaries).
- Past involvement has included the CAS Professionalism Policy Review Task Force, the Interactive Online Education Committee, the Professional Education Policy Committee, and as Chairperson of the Committee on Professionalism Education.
- Contributed to the Actuarial Review, the quarterly publication of the CAS.
Kurt Giesa is the Practice Leader of Oliver Wyman Actuarial Consulting Inc.’s Health Care Practice. He works with health insurers, regulators, and providers. Kurt’s work with health insurers has been focused on helping them understand and respond to the changes resulting from the Affordable Care Act. His work with insurers also includes product design and pricing, rating specialized coverages, provider contracting, regulatory filing, and mergers and acquisitions. His work with health care providers includes assistance in contracting with payers, the design of risk-sharing mechanisms, HMO creation, and the development of business strategies to anticipate and respond to the changing health care environment. His work with regulators includes providing expert testimony, market analysis, the development of regulation, and the review of health insurance rate filings.

Professional Experience
Kurt’s recent assignments include the following:

- Preparing pricing and then filing ACA-compliant products for a large, multi-state issuer
- Evaluating provider contracts in support of a health plan’s acquisition of a Medicaid MCO
- The development of an at-risk contracting strategy for a large health system in the north-east
- Support for a national association of health plans in its efforts to inform and influence policymakers regarding the Affordable Care Act
- Analysis for the Massachusetts Division of Insurance of the impact of health insurance reform in Massachusetts on the individual market
- Assisting a Medicaid health plan in formulating its strategies related to the ACA and specifically the under 250% FPL population
- Modeling the impact of insurance market reforms for a number of states in their exchange planning efforts

Recent Publications
Kurt has authored several papers and articles, most recently an article titled “My Generation” published in Contingencies, the magazine of the American Academy of Actuaries, dealing with the impact of restrictions on age rating in the Affordable care Act.

Recent Speaking Engagements and Professional Activities
Kurt presented at the Society of Actuaries’ annual meeting on the topic of premium rate changes in the small group and individual markets resulting from the ACA. He recently addressed the BlueCross BlueShield Association on the same topic. He has spoken in front of both the Maryland and Connecticut Exchange Boards in support of their planning efforts. He recently hosted a webinar covering the impact of the states’ expanded rate review authority on the health insurance market.