

**THIS DOCUMENT HAS BEEN AMENDED.
FOR DETAILS, SEE AREAS BELOW IN BOLD RED (1-15-09)**

I. INTRODUCTION

This Request for Proposal (“RFP”) is being released by the Los Angeles County Employees Retirement Association (“LACERA”) to solicit proposals from qualified firms to provide auditing services related to LACERA’s Pharmacy Benefits Manager (“PBM”), Caremark, L.L.C. (“Caremark”). Bidders must satisfy the minimum qualifications and requirements stipulated in Section V.E. of this RFP.

This RFP is for a one-time audit of the July 1, 2008 through June 30, 2009 plan year.

II. BACKGROUND

LACERA is an independent entity established pursuant to the County Employees Retirement Law of 1937 (Government Code Section 31450 et. seq.) (“CERL”). The California Constitution, CERL, and the bylaws, procedures and policies adopted by its two governing bodies, the Board of Retirement and Board of Investments, govern LACERA’s operations.

Within this framework, LACERA administers a comprehensive program of retirement, disability, death, and retiree health benefits for eligible employees of Los Angeles County. Currently there are approximately 95,500 active participants and 53,000 retired members.

Management of the LACERA retiree health benefits is vested in a group of nine trustees known as the Board of Retirement. The Board of Retirement employs an in-house staff and a number of external consultants and advisors to assist it in the administration of LACERA’s benefit programs. Additionally, the Insurance, Benefits & Legislative Committee (“IBLC”), a committee of the Board of Retirement, reviews LACERA Retiree Health Care Benefits Program (“Program”) information and reports its findings and recommendations to the Board of Retirement.

LACERA’s Program is made available to all retired benefit recipients. Anthem Blue Cross (“Anthem”), one of the healthcare providers in the Program, contracts with Caremark on behalf of LACERA for pharmacy benefits management services. These services provided by Caremark cover over 15,500 LACERA members. Of these, 7,100 are Traditional Indemnity Plan participants and 8,600 are Medicare Supplement participants.

III. PURPOSE

LACERA is seeking a qualified firm to provide expert auditing services and advice with respect to its Prescription Benefit Services program administered by Caremark.

IV. SERVICES TO BE PROVIDED

See Exhibit A – Statement of Work.

V. PROPOSAL AND SUBMISSION INFORMATION

A. Point-of-Contact for this RFP

Lita Payne, Director
LACERA Retiree Health Care
300 North Lake Avenue, Suite 120
Pasadena, California 91101
Fax: (626) 236-4342
E-mail: lpayne@lacera.com

Except for communications expressly permitted by this RFP, communications by Bidders with LACERA staff or members of its Boards regarding the RFP are strictly prohibited from the date of this RFP through the date LACERA completes or terminates the RFP process, as publicly disclosed by LACERA. Bidders violating the communications prohibition may be disqualified, at LACERA's option.

B. Deadline for Submission of Proposal

The deadline for submitting a response to this Request for Proposal is 5:00 p.m. PST, on ~~January 30, 2009~~ **February 4, 2009**. LACERA will consider proposals received after the submission deadline for evaluation if LACERA, in its sole discretion, deems consideration to be in its best interests.

Proposals submitted shall be valid for 90 days following the closing date noted above. LACERA and the Bidder may extend this period by mutual written agreement. Bidder may not withdraw its proposal during this period. If a solicitation is cancelled before the due date, the offer will be returned unopened to the Bidder who submitted the response.

C. Calendar of Events

The following dates will apply during the proposal and implementation process of the RFP. LACERA reserves the right to waive or modify specific terms and conditions contained in this RFP, and to waive, modify or extend deadlines specified herein.

Request for Proposal issued	December 24, 2008
Deadline for Bid Submission	January 30, 2009 February 4, 2009
Evaluation of Bids/Negotiations	March 4, 2009
Recommendation to IBLC	April 9, 2009
Board of Retirement Approval	May 5, 2009
Contract Effective Date	July 1, 2009

D. Submittal of Questions

Interested parties will have until 5:00 p.m. P.S.T. on January 7, 2009, to submit questions in writing regarding this RFP. All questions shall, to the highest degree possible, cite the specific RFP Section to which the question refers. LACERA's responses to requests for clarification or additional information will be provided to all firms submitting proposals. Only answers provided in writing by LACERA will be considered official.

All query submissions must include the identity of the sender, the sender's title, firm name, mailing address, telephone number, and facsimile number or e-mail address as applicable.

Questions must be submitted to Lita Payne via fax, e-mail, mail, or hand delivery using the Point-of-Contact information found in Section V.A. LACERA is not responsible for questions received after the submittal deadline.

Answers to questions will be made available by January 9, 2009, at 5:00 p.m. P.S.T., at LACERA's website, www.lacera.com, "RFP Opportunities" page, and, upon request, by fax, e-mail, or regular U.S. mail delivery.

E. Bidder's Proposal Submission Requirements

1. Bidder Minimum Qualifications

In order to be selected for this assignment, the Bidder must demonstrate:

- a. Key Personnel, as described in Section V.E(9)(f) of this RFP, shall each have a minimum of five years experience auditing PBMs.
- b. Bidder must have performed PBM audits on at least two clients having 5,000 to 10,000 participants, or more, within the last five years.
- c. Bidder must have performed PBM audits on at least two governmental clients having 5,000 to 10,000 participants, or more, within the last five years.

2. Guidelines

Bidder must adhere to the following guidelines to submit a Proposal:

- Any assumptions made in the Proposal must be identified in a clear manner and presented in a written format;
- Bidder must answer each question in the sequence presented. Each page of Bidder's proposal must be numbered, and each page should restate the section and question being answered.
- Bidder must sign and submit the "Certification Regarding Third Party Fees" at Exhibit C with their Proposal.
- All required items must be received no later than 5:00 p.m. PST, ~~January 30, 2009~~ **February 4, 2009.**

3. Submission of Response

a. Bidder shall submit four bound copies, one unbound copy, and one electronic copy in MS Word compatible format. The unbound copy shall bear original signatures and shall be marked as "master copy." The unbound copy shall contain no divider sheets or tabs, and shall be printed on one side only of 8-1/2 in. x 11 in. white paper to enable copying if needed. Colors must reproduce in a legible manner on a black-and-white copier.

If supplemental materials are included with the Proposal, each copy of the Proposal must include all such supplemental materials.

b. Responses shall be mailed or delivered to Lita Payne by regular mail, certified mail, express mail, or hand delivery using the Point-of-Contact information found in Section V.A.

c. If sending a response by regular mail, certified mail, or express mail, it is incumbent upon the Bidder to allow for sufficient time to permit delivery by the U.S. Postal Service or any other delivery service and by mail services internal to LACERA. The Proposal shall be received by LACERA, located at 300 N. Lake Avenue, Pasadena, CA, by the required deadline. The time and date stamp of LACERA will be the final determinant of whether a Proposal has been timely received by LACERA.

d. Proprietary information and knowledge developed through this RFP will remain the property of LACERA.

4. Withdrawal

The Bidder may withdraw its proposal at any time prior to the deadline for submission upon presentation of a written request to LACERA.

5. Costs

LACERA will not pay for any information herein requested, nor is it liable for any costs incurred by the Bidder.

6. Oral Presentations

LACERA may, at its discretion, elect to have Bidder(s) provide oral presentations of their Proposal. LACERA will contact those Bidders to schedule such a presentation. LACERA will not be responsible for any costs associated with the presentation.

7. Waiver of Claims

By submitting a Proposal, the Bidder agrees to waive any claim it has or may have against LACERA, LACERA Board members and/or LACERA officers, employees and agents, arising out of or in connection with the administration, evaluation, or recommendation of any

Proposal, the waiver of any requirements under the RFP, the acceptance or rejection of any Proposal, and/or the award of the Contract.

8. Notice to Bidders Regarding the California Public Records Act

All proposals submitted in response to this RFP shall become the exclusive property of LACERA and shall be subject to public disclosure pursuant to the California Public Records Act (Cal. Gov. Code Sections 6250 et. seq., the "Act"). The Act provides generally that all records relating to a public agency's business are open to public inspection and copying, unless specifically exempted under one of several exemptions set forth in the Act. In addition, if LACERA staff recommends any Bidder(s) to the Board of Retirement or any of the Boards' Committees for hiring, such recommendation and the relevant proposal(s) will appear on a publicly posted agenda for public meetings of the Board and Committee.

If a Bidder believes that any portion of its Proposal is exempt from public disclosure under the Act, such portion must be marked "CONFIDENTIAL," "TRADE SECRET," or "PROPRIETARY," and made easily separable from the balance of the response. LACERA will deny public disclosure of any portions so designated. Proposals marked "CONFIDENTIAL," "TRADE SECRET," or "PROPRIETARY" in their entirety will not be honored, and LACERA will not deny public disclosure of all or any portion of Proposals so marked. By submitting a Proposal with portions marked "CONFIDENTIAL," "TRADE SECRET," or "PROPRIETARY," Bidder represents it has a good faith belief that such material is exempt from disclosure under the Act; however, such designations will not necessarily be conclusive, and the Bidder may be required to justify in writing why such material should not, upon request, be disclosed by LACERA under the Act.

LACERA will use reasonable means to ensure that material marked "CONFIDENTIAL," "TRADE SECRET," or "PROPRIETARY" is safeguarded and held in confidence. LACERA will not be liable, however, for inadvertent disclosure of such material.

If LACERA denies public disclosure of any materials designated as "CONFIDENTIAL," "TRADE SECRET," or "PROPRIETARY", Bidder agrees to reimburse LACERA for, and to indemnify, defend and hold harmless LACERA, its officers, fiduciaries, employees and agents from and against: (a) any and all claims, damages, losses, liabilities, suits, judgments, fines, penalties, costs and expenses including, without limitation, attorneys' fees, expenses and court costs of any nature whatsoever (collectively, "Claims") arising from or relating to LACERA's non-disclosure of any such designated portions of a Proposal; and (b) any and all Claims arising from or relating to LACERA's public disclosure of any such designated portions of a Proposal if disclosure is deemed required by law or if disclosure is ordered by a court of competent jurisdiction.

9. Organization, Content, and Requirements of Submitted Proposal

The submitted Proposals shall be titled "LACERA PBM Audit Proposal" and shall clearly show the due date and time.

The Bidder's submitted Proposal shall include all information and be formatted as requested herein. Bidders shall provide their best response to the specifications, terms and

conditions contained in this RFP. Each Bidder shall be solely responsible for its thorough understanding of the RFP, including its attachments, exhibits, and forms. In addition, each Bidder shall be solely responsible for its Proposal and all documentation submitted. Bidders whose proposals do not meet the mandatory requirements will be so notified, however, notification may be after the deadline for submitting proposals has passed.

a. Transmittal Letter

The Bidder shall provide a transmittal letter identifying the responding company, including its address, signed by an individual authorized to bind the firm contractually. The letter shall state the name, title, address, phone number, fax number, and e-mail address of a contact authorized to provide clarifying information regarding the Proposal. If any material in the Proposal is marked as proprietary information in accordance with Section V.E(8), Bidder shall include a separate sheet behind the transmittal letter that indicates the section(s) and page(s) so marked.

b. Project Overview

The Bidder shall provide a concise description of its approach to meeting LACERA's requirements for the PBM Audit. The Bidder shall include the highlights of the Bidder's Proposal, including an overview of its plan and/or schedule to meet requirements provided in the Statement of Work included as Exhibit A. Unique characteristics of the Bidder's Proposal shall be emphasized.

c. Organizational Background

In this section the Bidder shall address the qualifications of the firm.

i. How many years has the firm been providing audit services requested in this RFP?

ii. Address the manner in which the firm will provide LACERA access to assigned personnel. It is essential that LACERA staff have reasonable access to all auditors, etc., throughout the contract period.

iii. In the last 10 years, has the firm ever been involved in a lawsuit involving any services or similar services requested by this RFP? If so, provide details, including dates and outcomes.

iv. In the last five years, has the firm, related entities, principals and/or officers been a party in any material civil or criminal litigation, whether or not directly related to services requested by this RFP. If so, provide details, including dates and outcomes.

v. What amount of insurance does the firm carry? State the type of insurance, the amount of coverage, the deductible and coinsurance, if applicable, and whom the coverage is with. LACERA's current insurance requirements are stated in the Sample Contract at Exhibit D.

d. Questionnaire and Written Responses

Bidder shall provide written responses to the following questions, reproducing the questions with each answer.

i. Describe the Bidder's prior experience in claims auditing. Provide current examples of PBM audits and related reports that demonstrate the organization's expertise and experience auditing health plans with 5,000 to 10,000, or more, participants.

ii. Describe in detail the Bidder's methodology for conducting the audit, including but not limited to the documentation to be reviewed and the sample selection method. Discuss the use of any dollar values as the selection criteria, and the method to be used for assuring the required statistical precision in designated areas.

iii. List all clients that have discontinued use of Bidder's audit services since January 1, 2008, and include a statement of the reason(s) for their discontinued use of services. For each discontinued client, Bidder shall include the name, title, address, telephone, and facsimile numbers of a responsible official of the client, company, or agency who may be contacted as a reference.

e. Implementation Plan

The Bidder shall specify, to the greatest degree possible, the activities that are to be undertaken, including a step-by-step timetable and the names of the persons involved in each step. This shall include the resource requirements needed to successfully complete the project. Resource requirements shall include any required input from LACERA staff and an estimate of the amount of LACERA staff time required. This plan shall also take into account provisions of the Agreement Audit Rights and Guidelines at Exhibit B.

f. Personnel

Bidder shall state the role(s) that each proposed person will perform on this project and identify key personnel for this project. Bidder shall relate the qualifications of each of the personnel being proposed to the role(s) they are to fulfill. The information provided shall be specific to the actual experience/qualifications of each proposed person. The following areas may be addressed for each proposed person, as applicable:

- fulfilled.
- i. Related/similar projects including the function/role
 - ii. Education and professional training.
 - iii. Professional certifications, if any.
 - iv. Recent projects and what role they played.

The Bidder shall state how each of the proposed personnel meet the minimum qualifications.

g. References

i. Bidder shall provide a list of at least three current, or recent, clients for whom the Bidder provides/provided PBM audits. Bidder shall include the size of the client's group, the period retained as a client, and the names of team members assigned to each of these audits who are also proposed for this audit. For each client, Bidder shall include type of audit, the name, title, address, telephone and facsimile numbers of a responsible official who may be contacted as a reference.

ii. Bidder shall provide a list of at least three current, or recent, governmental clients for whom the Bidder provides/provided PBM audits. For each client, Bidder shall specify the type of audit performed, the size of the client's group, and the period retained. For each governmental client, Bidder shall include the type of audit, name, title, address, telephone, and facsimile numbers of a responsible official who may be contacted as a reference.

h. Pricing

The Proposal should contain all pricing information relative to performing the required auditing services as described in this RFP. Prices for all services and/or deliverables provided shall be firm and shall be inclusive of all costs associated with providing these services.

i. Exceptions

Any exceptions to the specifications, terms and conditions of the RFP shall be explicitly set forth in this section of the Proposal. If there are no exceptions, the Bidder shall explicitly state the Bidder takes no exception to the RFP's specifications, terms and conditions. Any exception may result in this solicitation not being awarded to the Bidder.

j. Conflicts of Interest

Bidder must describe any known or perceived conflicts of interest which may result if its organization were engaged to perform the audit services herein requested. (Bidder's attention is brought to Exhibit B, Prescription Benefit Services Agreement Audit Provisions, Section 5.1.)

Bidder must list all gifts given to members of LACERA's Board of Retirement and staff within the twelve months immediately prior to the date of this RFP. Include (1) the name of the person receiving the gift, (2) the earlier of the date the gift was promised or given, (3) a brief description of the gift, and (4) the fair market value of the gift when promised or given, whichever is greater.

10. Contract Negotiations

Once firm(s) have been selected to perform the PBM audit, negotiations will be initiated. LACERA expects engagement negotiations to be brief. If the agreement cannot be negotiated

quickly with the selected Bidder, LACERA may, in its sole discretion, terminate negotiations with the previously selected Bidder and commence engagement with another party, whether or not that party was a Bidder.

11. Incomplete Proposals

If the information provided in a Bidder's proposal is deemed to be insufficient for evaluation, LACERA reserves the right to request additional information or to reject the proposal outright. False, incomplete, or unresponsive statements in connection with a proposal may be sufficient cause for its rejection. The evaluation and determination of the fulfillment of the requirements will be determined by LACERA and such judgment shall be final.

VI. EVALUATION CRITERIA

The following guidelines will be used to analyze and evaluate all proposals received. LACERA reserves the right to evaluate all factors deemed appropriate, whether or not such factors have been stated in this section.

A. Review of Proposals

An Evaluation Committee (Committee) consisting of LACERA staff will evaluate all proposals received using a three-step process.

1. The Committee will determine if Bidders meet the Mandatory Requirements listed below.

- The Bidder has no conflict of interest with regard to any other work performed by the Bidder.
- The Bidder is qualified to complete the services required.
- The Bidder adheres to the instructions in this RFP. It is critical that each Bidder complies with the requirements in Section V.E.

2. The Committee members will individually evaluate and score each proposal for technical qualifications and price. The full Evaluation Committee will then convene to review and discuss the evaluations and select the firms to participate in the pre-qualified auditor pool.

3. Reference reviews will be performed for all firms selected to participate in the pre-qualified audit pool.

4. Submission of the Evaluation Committee's recommendation to the Insurance, Benefits and Legislative Committee and Board of Retirement will take place.

5. Audit firm(s) will be selected, notified and engagement negotiations commence.

After evaluation of the proposals and approval by LACERA, all bidders will be notified of the successful bid, if any.

VII. GENERAL PROPOSAL CONDITIONS

A. Written approval from LACERA will be required for any news releases regarding the award of contract.

B. Changes in quantity, specifications, scope of work, delivery schedules, performance time, starting dates, etc. and corrections to this RFP will be made by amendment. Amendments will be sent before the due date to all Bidders. All information provided to a Bidder will be given in the form of a written addendum.

LACERA will determine whether the closing date should be changed when amending the RFP. If the time available before closing is determined to be insufficient, prospective Bidders will be notified by telephone or electronically, followed by a written amendment. LACERA will not award a contract unless amendments made to the RFP have been issued in sufficient time to be considered by all prospective Bidders. Receipt of amendments shall be acknowledged in writing by all prospective Bidders.

C. The general form of the contract is attached as Exhibit D to this RFP. By submitting a Proposal without comment on the contract, Bidder is deemed to have agreed to each term in the contract, and to not seek any modifications to the contract. If Bidder objects to a term in the contract, or wishes to modify or add terms to the contract, Bidder's Proposal must identify each objection, and propose language for each modification, and additional term sought, and include the reasons therefor. LACERA reserves the right to make changes to the contract prior to execution.

D. This RFP is not an offer of a contract. Acceptance of a Proposal does not commit LACERA to award a contract to any Bidder, even if the Bidder satisfied all requirements stated in this RFP. Publication of this RFP does not limit LACERA's right to negotiate for the services described in this RFP. If deemed by LACERA to be in its best interests, LACERA may negotiate for the services described in this RFP with a party that did not submit a Proposal. LACERA reserves the right to choose to not enter into an agreement with any of the respondents to this request for quotations.

E. The information Bidder submits in response to this RFP becomes the exclusive property of LACERA.

VIII. RESERVATIONS BY LACERA

A. LACERA reserves the right to cancel this RFP, in whole or in part, any time.

B. LACERA will not be liable for any costs Bidder incurs in connection with the preparation or submission of any proposal.

C. If Bidder submits a proposal, LACERA reserves the right to make such investigations as it deems necessary to determine Bidder's satisfaction of the minimum qualifications and ability to furnish the required services, and Bidder agrees to furnish all such information for this purpose as LACERA may request.

D. LACERA also reserves the right to reject the proposal of anyone who is not currently in a position to perform the contract, or who has previously failed to perform similar contracts properly, or in a timely manner.

E. LACERA reserves the right to reject, in whole or in part, any and all proposals received; to waive minor irregularities; to negotiate in any manner necessary to best serve the public interest, and to make a whole award, multiple awards, a partial award, or no award.

F. LACERA reserves the right to award a contract, if at all, to the firm which will provide the best match to the requirements of the RFP and the consulting services needs of LACERA, which may not be the proposal offering the lowest fees. LACERA may take into consideration any factor it considers relevant, such as past experience, financial stability, the ability to perform the requirements stated in the RFP and its Exhibits, and other relevant criteria. LACERA is not required to accept for consideration any proposals that fail to address or do not comply with each of the requirements or the criteria set forth in this RFP.

G. LACERA does not guarantee or commit to contracting any specific number of projects to Bidder during the life of the agreement.

H. LACERA reserves the right to terminate or modify this RFP and to reject any or all proposals submitted.

I. LACERA reserves the right to enter into discussions and negotiations with one or more organizations selected at its discretion to determine the best and final terms. LACERA is not under obligation to hold these discussions or negotiations with each organization that submits a proposal.

J. LACERA reserves the right to request additional documentation or information from respondents. Requested information may vary by respondent. LACERA may ask questions of any respondent to seek clarification of a proposal or to ensure the respondent understands the scope of the work or other terms of the RFP.