

AMENDMENT OF SOLICITATION/MODIFICATION OF CONTRACT	1. CONTRACT ID CODE	PAGE	OF PAGES
		1	5

2. AMENDMENT/MODIFICATION NO. 0001	3. EFFECTIVE DATE 07/03/2001	4. REQUISITION/PURCHASE REQ. NO.	5. PROJECT NO. (If applicable)
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6. ISSUED BY U.S. Office of Personnel Management Contracting Division 1900 E Street, NW, RM 1342 Washington, DC 20415-7710	7. ADMINISTERED BY (If other than Item 6)
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8. NAME AND ADDRESS OF CONTRACTOR (No., street, county, State and ZIP Code) To All Interested Parties	(X)	9A. AMENDMENT OF SOLICITATION OPM-01-RFP-0016
	<input type="checkbox"/>	9B. DATED (SEE ITEM 11) 6/20/2001
	<input type="checkbox"/>	10A. MODIFICATION OF CONTRACT/ORDER NO.
	<input type="checkbox"/>	10B. DATED (SEE ITEM 11)

11. THIS ITEM ONLY APPLIES TO AMENDMENTS OF SOLICITATIONS

The above numbered solicitation is amended as set forth in Item 14. The hour and date specified for receipt of offers
Offers must acknowledge receipt of this amendment prior to the hour and date specified in the solicitation or as amended, by one of the following methods:

Is extended, Is not extended.

(a) By completing items 8 and 15, and returning 1 copy of the amendment; (b) By acknowledging receipt of this amendment on each copy of the offer submitted;

or (c) By separate letter or telegram which includes a reference to the solicitation and amendment numbers. FAILURE OF YOUR ACKNOWLEDGEMENT TO BE RECEIVED AT THE PLACE DESIGNATED FOR THE RECEIPT OF OFFERS PRIOR TO THE HOUR AND DATE SPECIFIED MAY RESULT IN REJECTION OF YOUR OFFER. If by virtue of this amendment your desire to change an offer already submitted, such change may be made by telegram or letter, provided each telegram or letter makes reference to the solicitation and this amendment, and is received prior to the opening hour and date specified.

12. ACCOUNTING AND APPROPRIATION DATA (IF REQUIRED)

**13. THIS ITEM ONLY APPLIES TO MODIFICATION OF CONTRACTS/ORDERS
IT MODIFIES THE CONTRACT/ORDER NO. AS DESCRIBED IN ITEM 14.**

CHECK ONE	A. THIS CHANGEORDER IS ISSUED PURSUANT TO: (Specify authority) THE CHANGES SET FORTH IN ITEM 14 ARE MADE IN THE CONTRACT ORDER NO. IN TTEM 10A
<input type="checkbox"/>	
<input type="checkbox"/>	B. THE ABOVE NUMBERED CONTRACT/ORDER IS MODIFIED TO REFLECT THE ADMINISTRATIVE CHANGES (such as changes in paying office, Appropriation date, etc.) SET FORTH IN ITEM 14, PURSUANT TO THE AUTHORITY OF far 43.103(b).
<input type="checkbox"/>	C. THIS SUPPLEMENTAL AGREEMENT IS ENTERED INTO PURSUANT TO AUTHORITY OF:
<input type="checkbox"/>	D. OTHER (Specify type of modification and authority)

E. IMPORTANT: Contractor is not, is required to sign this document and return _____ copies to the issuing office.

14. DESCRIPTION OF AMENDMENT/MODIFICATION (Organized by UCF section headings, including solicitation/contract subject matter where feasible.)
The referenced solicitation is hereby amended to note the following changes:

1. On page A-1, under number 5, delete "June 15, 2001," and insert "June 20, 2001" in lieu thereof.
2. On page C-44, under number 6, delete the word "three."

Continued

Except as provided herein, all terms and conditions of the document referenced in Item 9A or 10A, as heretofore changed, remains unchanged and in full force and effect.

15A. NAME AND TITLE OF SIGNER (Type or print)	16A. NAME AND TITLE OF CONTRACTING OFFICER (Type or print)		
15B. CONTRACTOR/OFFEROR	15c. DATE SIGNED	16B. UNITED STATES OF AMERICA	16C. DATE SIGNED
_____ (Signature of person authorized to sign)		_____ (Signature of Contracting Officer)	

3. On pages C-12 and C-13, the text under “b. Innovation” was renumbered. We broke item #2 into two paragraphs and renumbered the paragraphs following. Delete the text that appears under “b. Innovation” in its entirety, and insert the following in lieu thereof:

“b. Innovation

The large size of this program coupled with its preemption from individual State long term care insurance rules allows for some unique innovations.

In addition to quoting premiums for the above basic benefits and options, you can offer any other options and features which may be unique to your company, or which you feel would be advantageous to the FLTCIP. We will use these options and/or features to gauge your sense of innovation, and your knowledge of the long term care industry. If you are the successful Contractor, we may include the options and/or features that you propose, if cost effective and desirable, in the final plan design. However, we will not award a contract based solely on proposals for an alternative design.

Answer each of the questions below in this section on Product Design AND ALSO provide a copy of the questions and your answers in your separately bound response to the Financial section.

1. If you offer an innovative benefit design, provide details of the design and indicate the estimated impact on premiums.
2. We intend to offer inflation protection at appropriate levels. We have set automatic compound inflation at 5% per annum. Do you propose a different rate? If so, provide the amount, the rationale, and the effect on premium. Other than the two inflation protection approaches already described, do you propose any other approach? If so, why and what would be the effect on premium
3. We intend to cover home care and adult day care at 100% of the MWB with the use of a care coordinator. We invite you to suggest a different percentage (e.g. 60%, 65%, and 75%) and/or different approach. Include an explanation of your alternative proposal and the effect on premiums
4. The Federal Government employs a high percentage of persons with self-reported disabilities (about 7% of the workforce.) FLTCIP intends to cover or provide service to as many people as possible. Thus, we expect you to offer innovative products, services, and underwriting approaches to achieve this goal. We understand that the premiums for the nonstandard offerings to employees, or their spouses, who are declined may differ from premiums for the standard policies, but they need not be self-sufficient. You must include them in the same risk pool as the standard policies.
 - a. Specify the non-standard policies that you propose to offer to declined employees or their spouses. Exactly how would they differ from the standard policy in terms of benefits and/or premiums?
 - b. Under what circumstances do you propose issuing non-standard policies to segments of the populations **other than** employees or their spouses who are declined (i.e., annuitants, etc.)? Our intention is that the issuance of non-standard policies to non-employee populations would **not** affect the premiums for standard policies. Thus, non-standard policies for populations other than employees or their spouses would constitute a separate risk pool for rating purposes.
 - i. Specify the non-standard policies that you propose to offer to declined non-employees.

- ii. Exactly how would they differ from the standard policy and the declined-employee non-standard policy in terms of benefits and/or premiums?
- c. **If an employee or employee's spouse** is not eligible for either a standard or non-standard insurance policy, the Contractor will, at a minimum, offer a policy that provides access to care coordination services only. Do you offer this type of policy now? Do you propose also offering it to annuitants or other qualified relatives who do not pass underwriting?

- 5. We are open to innovative suggestions for spousal benefits. They may include a spouse discount, an offering of a combined pool of money, or other optional benefits. What spousal benefits do you propose, if any, and why? What impact would these benefits have, if any, on premiums?
- 6. The plan design calls for waiving premiums during the waiting period once benefit eligibility has been certified and the enrollee contacts a care coordinator. Do you see this approach adding to costs or adverse selection? Are there claims savings that offset these costs? What other approaches do you propose? Why? What has been your experience with the alternative approach(es) you propose?"

- 4. On page C-19, under Table 1, insert the following:

(Note: Every column in this Table 1 does not need to be completed. Offerors have the flexibility based on the pricing methodology they use. Thus, offerors may elect to use one column. While offerors have flexibility in the manner they complete Table 1, they are reminded that Question 8(b), which appears on page C-21, requires that they clearly explain how the costs presented in Table 3, which appears on page C-21, were converted for the Table 1 entries.)

- 5. On page C-19, under Table 1, delete the text that appears under "a." through "c." and insert the following in lieu thereof:

"a. Provide details in question 5 below. Express costs per policy issued (presuming that spouses get separate policies). Note that underwriting scenarios are defined further in Section V, and apply only to underwriting used for employees or their spouses.

b. Provide details in question 6 below.

c. Provide details in question 8 below. For claims administration/care coordination, provide the ongoing cost for administering a claim (as a dollar amount per claim) for the first year of the claim and subsequent years, rather than the first contract year and renewal years as shown in Table 1."

- 6. On pages C-32 and C-33, Tables 6 and 7 incorrectly request information on three underwriting scenarios. Delete the "GI" at the top of Table 6. Replace the word "three" in the first footnote under Table 6 with the word "two."
- 7. On page C-32, under item 17, delete the word "three" and insert "two" in lieu thereof.
- 8. On page C-32, insert the following at the end of Question 17:

"The Contractor shall explicitly state the pricing interest rate used in the present value calculations contained in Table 7, which appears on page C-33. Pre-tax profit margin, as defined later in the RFP, should equal premiums used in pricing minus total outgo. Total outgo equals the sum of claims incurred

(excluding any change in active reserves) expenses and taxes. Any change in active reserves that was part of a pricing calculation should be explicitly stated in a footnote to the table but is not to be included in any part of Total Outgo. Total income used in pricing equals premiums plus investment income calculated on actual assets and cash flows. If investment income on reserves (both statutory interest on reserves and any investment income above statutory interest) is used in pricing, it should be stated in a footnote but is not a part of income for the purposes of Table 7.”

9. On page C-33, delete Question 18 in its entirety.

10. On page C-33, delete “19”, and insert “18” in lieu thereof.

11. On page C-33, delete Question 20 in its entirety, and insert the following in lieu thereof:

“19. Provide your anticipated claims ratio (calculated consistent with Table 7) by policy year for the first 10 years. Also, provide the expected first 10 policy years and lifetime loss ratios by issue age for ages 40, 50, 60, 70, & 80. ‘Claims Ratio’ means the present value of incurred claims over the present value of premiums.”

12. On pages C-36 and C-37, under “E. Experience Fund Maintenance,” insert the following at the end of the “Requirements” section:

“4. Investment income and total net income from assets in the FLTCIP account are intended to be the actual income earned on FLTCIP assets on a cash flow basis, after start-up costs have been repaid (as budgeted or actual whichever is less).”

13. On pages C-37 and C-38, under “F. Contract Termination,” insert the following at the end of the “Requirements” section:

“3. OPM hopes that its relationship with the winning contractor will be a long term one. Therefore, it has not provided for any adjustment to the experience fund for unamortized start-up costs should the fund be transferred to a new contractor.”

14. On page - C-39, under “H. Profit,” insert the following at the end of item 2 in the “Questions” section:

“Return on Investment as used in Table 9 is synonymous with interest on FLTCIP assets. It is not intended to be viewed as return on equity from a stockholder's or shareholder's point of view or the return to the contractor, i.e. profit, for administering the FLTCIP.”

15. At the end of Section K, insert the following provision:

“K.10 ALTERATION OF SOLICITATION

The offeror represents as part of its offer that it did not alter, in its proposal, the provisions of this solicitation and that those provisions are identical to what the Government released except for the blank spaces the offeror filled in.”

16. Under Section L.14, insert the following text:

“L.14.2.4 SUBCONTRACTING PLAN

1. Provide a responsible plan for management and assurance of quality of work performed by subcontractors including:
 - Identification of subcontractors
 - A brief history of the offeror's relationship with the subcontractor including any organizational affiliation
 2. Provide a subcontracting plan demonstrating offeror's planned corporate support for small business and small disadvantaged businesses."
17. Under section L.14.2, delete "L.10.2.1 through L.10.2.5", and insert "L.14.2.1 through L.14.2.4" in lieu thereof.
18. On page C-43, under "Modified Guaranteed Issue" insert the following after the first bullet:
- “• Within the past 12 months, have you been confined to a nursing home or custodial care facility, or are you currently receiving home health care services?”
19. All other terms and conditions remain the same.