Questions and answers related to proposal for State Employee Health Plan audit

Many of the questions we received touched on similar topics and/or requested similar information or clarifications. As a result, although this document does not include a specific answer for each individual question we received, the questions and answers below are intended to be responsive to the various questions and requested clarifications we received.

1. Section E(1) states progress reports are due every 4 weeks, but the timeline table lists bi-weekly briefings with the Auditor General. Can you clarify if written progress reports are required bi-weekly or every 4 weeks?

   As stated in RFP Section E(1), written progress reports prepared by the Firm must be submitted every 4 weeks. However, as stated in RFP Section F(2), the Firm is also required to meet with the Office bi-weekly to provide a verbal update of progress.

2. Section J(5) states that proposals will be held confidential before selecting the contractor but may be disclosed following selection of the contractor. Are proposal responses allowed to be redacted for protection of trade secret and/or confidential/proprietary content with the understanding that proposers may not redact their proposal response in its entirety?

   If a Firm wants to assert that their proposal contains a trade secret or other proprietary information, the Firm must include with the proposal a statement supporting their assertion. The Firm must clearly designate any trade secret or other proprietary information using the term "confidential" including in any table of contents and in the header of each page asserted to contain trade secret or proprietary information. The Firm is responsible for requesting confidential treatment and for ensuring that the information is clearly labeled. Contract terms and conditions, pricing, and information generally available to the public are not considered confidential information. The Office will review proposals asserting they contain trade secret or proprietary information and will determine if the information is confidential, is not confidential, or if additional information is required before a final confidentiality determination can be made.

3. Has the Arizona Auditor General hired a contractor to perform these services in the past, and if so, can you identify the contractor(s) and provide copies of any reports that were generated?

   The Office has never hired a contractor to review the Arizona State Employee Health Plan administered by the Arizona Department of Administration.

   Note: We received many related questions for details related to our prior contracts with vendors to perform these services. However, because we have never hired a contractor to perform these services we have not responded to these questions.

4. Are the fully insured dental and vision plans included in the claims data analytics scope outlined in Section C(4)(e), or is that task limited to the self-insured plans?

The fully insured dental and vision plans are not included in the scope outlined in RFP Sections C(4)(e)(f)(g)(h).

5. Given the strict independence and conflict-of-interest requirements outlined in Section D, will a bidding Firm be disqualified if their proposed healthcare consulting subcontractor currently holds a statewide contract for healthcare and benefits consulting with the Auditee (ADOA)?

   Although this question does not include sufficient detail to conclude whether the situation mentioned is a disqualifying independence threat, the situation appears to be a potential threat to independence that the Office would need to assess as part of our proposal review.

6. We received several questions about data availability, file formats, identifier and data crosswalks, including whether data-sharing protocols and file formats already been established with the Plan's vendors (BCBSAZ, UHC, MedImpact, Delta Dental, Solstice, Avesis) to allow for immediate ingestion upon notice to proceed?

   Data will be provided by the Arizona Department of Administration (ADOA) and, as necessary, ADOA's vendors. Much of the data to begin the work is available from ADOA. The Office is currently working with ADOA to help ensure the data will be available both from ADOA and the Plan's vendors as soon as possible upon notice to proceed, including determining the file format, identifiers, and data crosswalks that will be provided. However, given the short timeline for this project, we are unable to provide a data inventory, field list, layouts, or redacted sample files for claims, eligibility, accumulators, and plan configuration prior to proposals being due.

7. Regarding Section C(4)(e) and (h), does the Office require the Firm to utilize a proprietary actuarial health claims software engine or specific medical/pharmaceutical grouper software to run the required data analytics and determine claims accuracy?

   The Office does not require the selected Firm to use proprietary software. However, as outlined in Attachment C—Sample Contract, Section V(3), "The Firm shall not, and shall ensure that its employees, agents, subcontractors, assignees, and delegates do not, use any Artificial Intelligence (AI) software, tools platforms or technologies, including but not limited to generative AI, large language models, and machine learning models, in connection with this Agreement without first obtaining the prior written approval of the Auditor General. The Firm acknowledges and agrees that any use of AI software, tools, platforms, or technologies must and will comply at all times with the confidentiality requirements set forth in Section V(17) of this Agreement."

8. To ensure the State receives the most competitive, high-quality responses and a robust pool of qualified bidders, would the Office consider extending the proposal submission deadline by two weeks (e.g., to August 7, 2026)?

   We do not intend to extend the proposal due date.

9. Section J(1) states that proposals may be sent via email. Please state if there are size limitations in place for email attachments to be received.

   The file size limitation for email attachments is 25MB. If the Firm anticipates needing to send files that exceed the email attachment size limit, please contact Katie Grzybowski at kgrzybowski@azauditor.gov no later than 5 p.m. on Thursday, July 23, 2026, to obtain access to a secure file sharing site for the Firm to upload its submission.

10. Are there any onsite work requirements beyond required meetings and legislative presentations?

    There are no onsite work requirements or required in-person meetings. The only occasion where the Firm may be required to be in-person is for a legislative presentation, which would likely occur between March and June 2027.

11. What type of support is typically required for 6-month and 18-month follow-up work?

    The Firm is required to followup on any recommendations it made during the audit. This followup work should include interviewing ADOA staff about progress made toward implementing the recommendations and reviewing supporting documentation or conducting other test work to confirm/corroborate the reported information. For example, if the Firm makes a recommendation that ADOA develop and implement a policy and procedure, the Firm will need to review both to confirm that the policy and procedure has been developed and also perform limited test work to verify that ADOA is following the new policy and procedure. The level of work needed during the followup depends on the nature of the recommendations the Firm makes during the audit and ADOA's progress in implementing the recommendations at 6 and 18 months. For example, if ADOA reports it has not made progress in implementing a recommendation, the level of test work is less than if it reports it has implemented a recommendation.

12. We received several questions about whether certain information will be shared, such as the vendor contracts and actuarial valuation reports and whether support will be available to answer Firm questions.

    The Office is statutorily authorized to access all Auditee employees and review any and all Auditee records, including confidential records without limitation pursuant to A.R.S. §41-1279.04. As the Office's contracted vendor, the Firm will have the same level of access.

13. Is the expectation to evaluate causes of expenditure growth or primarily assess ADOA's current cost containment efforts?

    As stated in RFP Section C(4)(c), the selected Firm will be required to assess ADOA's current cost containment practices. Pursuant to RFP Section C(4)(d), the selected Firm will also be required to identify causes why the Auditee's expenditures have been exceeding revenues, including but not limited to whether the Auditee's cost containment measures have been effectively and/or fully implemented and overseen.

14. We received several questions related to further details about the State Employee Health Plan, such as questions pertaining to what cost control measures are already in place, the volume of claims in fiscal year 2026, whether vendor performance penalties and corrective actions been assessed, how many contracted providers are there for each vendor, what are reimbursement terms used for medical claims, coverage definitions, quantity or other limits, cost share, prior authorization requirements, what edits are being applied for each claim type, and what are ADOA's calculated values for Claims Financial Accuracy and Claims Processing Accuracy.

    The only information we have available to answer these types of questions can be found either on ADOA's Benefit Services Division website: benefitoptions.az.gov or in ADOA's annual reports located at benefitoptions.az.gov/legislative-reports. Once the selected Firm begins the engagement, the Firm can request this information from ADOA.

15. If potential fraud, waste, or abuse is identified, is the expectation that the team perform the full forensic investigation through completion, or should detailed findings be referred to ADOA, the vendor SIU/FWA unit, or another contracted investigative organization? If referred, what level of documentation is expected from the audit team?

    Should potential fraud, waste, or abuse be identified, the Firm must work with the Office to determine the appropriate organization to refer the information to and the level of documentation necessary for the referral.

16. What event determines whether a claim falls within the July 1, 2025 through June 30, 2026 review period (for example, vendor payment date, adjudication date, ADOA reimbursement date, or date of service)?

    The date ADOA reimbursed the claim determines whether a claim falls within the July 1, 2025 through June 30, 2026 review period.

17. How should runout and post-period corrections be treated, including adjustments, recoupments, and refunds processed after June 30, 2026?

    Anything processed after June 30, 2026 is beyond the scope of the audit.

18. What effective-dated eligibility information is available and authoritative, including retroactive enrollment changes and dependent-level information?

    Once the selected Firm begins the engagement, the Office, the Firm, and ADOA will work together to determine what effective-dated eligibility information is available and authoritative, including retroactive enrollment changes and dependent-level information.

19. We received the following questions related to the scope of the work to be completed:

    - Does eligibility testing require only matching claims to system eligibility, or does it require independent verification against enrollment or other source documentation?

- Is medical-necessity review or medical-record review required, or is the work limited to administrative claim testing?
- Does the audit require full re-adjudication of claims, or targeted testing of selected benefit, pricing, coding, and payment provisions?
- What benchmark should be used to test clinical edits: vendor configuration, government or industry standards, or an independent edit library?

As part of its proposal, we encourage prospective firms to describe the various options they propose for performing the work, such as just matching claims to system eligibility or doing independent verification. If proposers have multiple recommendations for how to perform the work, the Firm is encouraged to include each proposed option and include information about each option's benefits, drawbacks, and costs.

20. What accumulator information is authoritative, and how should cross-vendor or cross-benefit accumulators be handled?

    Once the selected Firm begins the engagement, the Office, the Firm, and ADOA will work together to determine what accumulator information is authoritative and how cross-vendor or cross-benefit accumulators should be handled.

21. May the results of the claims analytics be used to select the sample, and is a combination of statistical and risk-based sampling expected?

    The results of the claims analytics could potentially be used to select the sample. As stated in RFP Section C(5) the Firm must receive approval from the Office regarding sample sizes and sampling methodology prior to beginning test work. During this process, the Office and the Firm will work together to determine if the sample should be statistical, risk-based, or a combination.

22. What sampling parameters are expected, including sample sizes, confidence levels, stratification, tolerable error, and the timing of sample-design approval?

    As stated in RFP Section C(5) the Firm must receive approval from the Office regarding sample sizes and sampling methodology prior to beginning test work. During this process, the Office and the Firm will work together to determine sample sizes, confidence levels, stratification, and tolerable error.

23. Is extrapolation of identified errors to the claim population required?

    As stated in RFP Section C(5) the Firm must receive approval from the Office regarding sample sizes and sampling methodology prior to beginning test work. During this process, the Office and the Firm will work together to determine if the sample size will be large enough to project to the claim population. If it is determined that the sample size is not sufficient to project to the entire population, then the Firm should plan to include statement in its report explaining that unless otherwise noted, the results of the Firm's testing using the samples were not intended to be projected to the entire population.

24. We received the following questions related to the scope of the work to be completed:

- How are “clinical edits” defined for this audit, and which edit categories is the auditor expected to test?
- What constitutes an error, and what materiality or reporting thresholds apply?
- How should a duplicate claim be defined and validated for audit purposes?
- How should overpayments and underpayments be calculated and reported—for example, gross versus net and claim-level versus line-level amounts?

Once the selected Firm begins the engagement, the Office and the Firm will work together to determine how clinical edits will be defined, the edit categories that should be tested, what constitutes an error, what materiality or reporting thresholds apply, how duplicate claims should be defined and validated, and how overpayments and underpayments should be calculated and reported.

25. We received multiple questions about flexibility in the timeline, including how will delayed, incomplete, or unreliable data affect the required schedule, deliverables, and audit scope.

    The Office expects the Firm to regularly communicate with the Office regarding audit progress and the Firm is expected to immediately notify the Office of any issues that could potentially result in delays, such as incomplete or unreliable data. The Office will then work with the Firm as much as possible to resolve these issues. If changes to the required schedule, deliverables, and audit scope are necessary, any and all changes will need to be agreed to by both parties.

26. Please provide your estimated budget limit or budget range for this project.

    Within the RFP, the Office has established a comprehensive scope of work for the project. In preparing a bid, the Firm should consider the time and resources necessary to complete the scope of work and provide the Office with a realistic estimate of the cost to complete the scope of work.

27. Will there be a finalist presentation or interview?

    There will be no formal finalist presentation or interview. As stated in the RFP Section L(1), during the evaluation process, bidders must be available to answer questions by telephone.

28. Is the proposal format described within the RFP?

    RFP Section K outlines the required content of the proposal.

29. Which transaction types are included in scope (paid claims only, or also denied or zero-paid claims, encounters, reversals, adjustments, refunds, capitation, premiums, and administrative fees)

    This audit is focused on claims and may include both approved and denied claims, zero-paid claims, reversals, adjustments, and refunds. Capitation, premiums, and administrative fees would not be included unless these are part of claims.