

**SUPPLEMENT B
DEPARTMENT OF BUDGET AND MANAGEMENT
ACTION AGENDA**

SERVICES CONTRACT MODIFICATION

ITEM: 5-S-MOD **Agency Contact:** Anne Timmons
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DEPARTMENT/PROGRAM: Budget & Management (DBM)
Employee Benefits Division (EBD)

CONTRACT ID: F10R6200016;
Long Term Care Insurance for Maryland
State Employees, Retirees and Other
Eligible Individuals
ADPICS No.: COD15828

CONTRACT APPROVED: 2/15/2006 DBM BPW Agenda Item 2-S

CONTRACTOR: Prudential Insurance Company of America
Livingston, NJ

CONTRACT DESCRIPTION: Contract to provide voluntary, group long-term care insurance benefits to Maryland State employees, retirees, satellite agencies, and contractual and part-time employees.

MODIFICATION DESCRIPTION: Approval request to extend the term of the contract by one year in order to allow time to review the federal Healthcare Reform community-based long term care insurance program. (See Requesting Agency Remarks below.)

TERM OF ORIGINAL CONTRACT: 2/16/2006 – 6/30/2011 (5 Yrs.; 4 ½ Mos.)

TERM OF MODIFICATION: 7/1/2011 – 6/30/2012 (1 Year)

AMOUNT OF ORIGINAL CONTRACT: \$0 (See Requesting Agency Remarks below)

AMOUNT OF MODIFICATION: \$0 (See Requesting Agency Remarks below)

PRIOR MODIFICATIONS/OPTIONS: None

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ITEM: 5-S-MOD (Cont.)

REVISED TOTAL CONTRACT AMOUNT: \$0

PROCUREMENT METHOD: Competitive Sealed Proposals

OVERALL PERCENT +/- (THIS MOD): 0%

ORIGINAL PROCUREMENT METHOD: Competitive Sealed Proposals

MBE PARTICIPATION: 2%

REQUESTING AGENCY REMARKS: Request for approval of a modification to the contract to extend the term by one year to allow time to review the federal Healthcare Reform community-based long term care insurance program. This approval request is being presented to the Board of Public Works (BPW) at this time, so that if the extension is not approved, DBM has the time remaining on the current contract (almost one year) to complete a new procurement for services to begin on 7/1/2011.

This contract provides voluntary, group long-term care insurance benefits to Maryland State employees, retirees, satellite agencies, and contractual and part-time employees. The group long-term insurance benefits include: coverage for nursing home care; home health care services; adult day care; homemaker services; home health aide services; respite care for family care-givers; hospice care; assisted living facilities; Alzheimer's facilities; and speech and physical therapy services. Premiums are age based (ages 18 - 85).

Employees can select from four reimbursement levels (\$75; \$100; \$150; and \$200 daily rates) and have the option to select inflation protection. There is also a cash value (non-forfeiture) option. Under this contract benefits will be paid solely by employees and retirees; there is no State subsidy provided.

The Prudential Insurance Company of America (Prudential) has performed the services of this contract in a satisfactory manner since this contract began in 2006. Prudential is not requesting any change to the current plan design or to rates for the extension period from 7/1/2011 through 6/30/2012.

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ITEM: 5-S-MOD (Cont.)

Because the State of Maryland's Long Term Care program through Prudential is a voluntary, employee-pay-all program, the State pays no administration fee or premium contribution. The State's only role is to permit payroll deduction of the employee cost, if employees choose this option versus direct bill from Prudential. Because the Long Term Care Insurance allows employees to lock into a premium rate at the age they first enroll, employees may elect to stay with Prudential even if the State does not contract with Prudential for a new five year contract. Instead of being a payroll deduction, employees can elect to continue the policy with Prudential on a direct bill basis. As a result, with each new long term care contract, a certain percentage of employees stay with the prior carrier in order to maintain a lower premium rate. Otherwise, the premium could go up with the new age bracket every five years, making it very costly for employees to change to the new carrier with each new contract.

Since the new Healthcare Reform legislation includes the automatic enrollment of all employed Americans into a community-based long term care insurance program, it is in the best interest of the State to extend the existing contract for a period of one year to allow time to review and analyze the federal program before seeking a new five year contract for Long Term Care Insurance benefits for State employees. It may also be determined that a statewide contract is not necessary, if everyone is automatically enrolled in the federal program; however, DBM's Employee Benefits Division wants to be able to provide the employees with the best information possible to make an informed decision about their long term health care needs.

The actual premium amount received by Prudential is a function of the number of participant employees/retirees and dependents that elect the coverage, their ages, as well as the benefit levels that are chosen. It is estimated that the value of this one-year contract modification will be approximately \$1.7 million for the Contractor.

