

# STATE OF MARYLAND

## Request for Proposals

### Third Party Administrative (TPA) Services for Flexible Spending Accounts (FSAs) – Health Care and Dependent Care

Solicitation No. F10R5200126



## DEPARTMENT OF BUDGET & MANAGEMENT

### Employee Benefits Division

**Issue Date: December 14, 2004**

### NOTICE

Prospective Offerors who have received this document from the Department of Budget and Management's web site or eMarylandMarketplace.com, or who have received this document from a source other than the Procurement Officer, and who wish to assure receipt of any changes or additional materials related to this RFP, should immediately contact the Procurement Officer and provide their name and mailing address so that amendments to the RFP or other communications can be sent to them.

**STATE OF MARYLAND  
NOTICE TO OFFERORS/CONTRACTORS**

In order to help us improve the quality of State proposal solicitations, and to make our procurement process more responsive and business friendly, we ask that you take a few minutes and provide comments and suggestions regarding the enclosed solicitation. Please return your comments with your proposals. If you have chosen not to bid on this contract, please fax this completed form to: 410-974-3274 to the attention of Edward Bannat.

**Title: TPA Services for FSAs – Health Care and Dependent Care**  
**Project No: F10R5200126**

1. If you have responded with a "no bid", please indicate the reason(s) below:

- Other commitments preclude our participation at this time.
- The subject of the solicitation is not something we ordinarily provide.
- We are inexperienced in the work/commodities required.
- Specifications are unclear, too restrictive, etc. (Explain in REMARKS section.)
- The scope of work is beyond our present capacity.
- Doing business with Maryland Government is simply too complicated. (Explain in REMARKS section.)
- We cannot be competitive. (Explain in REMARKS section.)
- Time allotted for completion of the bid/proposals is insufficient.
- Start-up time is insufficient.
- Bonding/Insurance requirements are restrictive. (Explain in REMARKS section.)
- Bid/Proposals requirements (other than specifications) are unreasonable or too risky. (Explain in REMARKS section.)
- MBE requirements. (Explain in REMARKS section.)
- Prior State of Maryland contract experience was unprofitable or otherwise unsatisfactory. (Explain in REMARKS section.)
- Payment schedule too slow.
- Other: \_\_\_\_\_

2. If you have submitted a bid or proposal, but wish to offer suggestions or express concerns, please use the Remarks section below. (Use reverse or attach additional pages as needed.)

REMARKS: \_\_\_\_\_

\_\_\_\_\_

Offeror Name: \_\_\_\_\_ Date \_\_\_\_\_

Contact Person: \_\_\_\_\_ Phone (\_\_\_\_) \_\_\_\_\_ - \_\_\_\_\_

Address: \_\_\_\_\_

**KEY INFORMATION SUMMARY SHEET**

**STATE OF MARYLAND**

**Request For Proposals**

**TPA SERVICES FOR FSA – HEALTH CARE AND DEPENDENT CARE**

**PROJECT NUMBER F10R5200126**

**RFP Issue Date:** December 14, 2004

**RFP Issuing Office:** Department of Budget and Management  
Employee Benefits Division (EBD)

**Procurement Officer:** Mr. Edward Bannat  
Office Phone: (410) 260-7662  
Fax: (410) 974-3274  
e-mail: ebannat@dbm.state.md.us

**Proposals are to be sent to:** Department of Budget and Management  
45 Calvert Street, Room 118  
Annapolis, MD 21401  
Attention: Ed Bannat

**Pre-Proposal Conference:** January 5, 2005, 9:30 AM (Local Time)  
Judiciary Training Center  
2009D Commerce Park Drive  
Annapolis, MD 21401  
For directions: [www.courts.state.md.us/  
directions/jtcdirections.html](http://www.courts.state.md.us/directions/jtcdirections.html)

**Closing Date and Time:** January 26, 2005 at 3:00 PM (Local Time)

**NOTE**

Prospective Offerors who have received this document from the Department of Budget and Management's web site or eMarylandMarketplace.com, or who have received this document from a source other than the Procurement Officer, and who wish to assure receipt of any changes or additional materials related to this RFP, should immediately contact the Procurement Officer and provide their name and mailing address so that amendments to the RFP or other communications can be sent to them.

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ATTACHMENT B Bid/Proposal Affidavit..... (State FSA Attachments.doc)  
ATTACHMENT C Contract Affidavit ..... (State FSA Attachments.doc)  
ATTACHMENT D Minority Business Enterprise Participation ..... (State FSA Attachments.doc)  
    ATTACHMENT D-1 .....  
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ATTACHMENT E State Data Security Policy..... (State FSA Attachments.doc)  
ATTACHMENT F COT/GAD X-10 EFT Registration Request Form..... (State FSA Attachments.doc)  
ATTACHMENT G FSA Technical Response.....(FSA Technical Response.xls)  
    ATTACHMENT G-1 .....Offeror Qualifications  
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ATTACHMENT H FSA FINANCIAL RESPONSE ..... (FSA Financials.xls)  
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# SECTION 1 - GENERAL INFORMATION

## 1.1 Summary Statement

The Department of Budget and Management is issuing this Request for Proposals (RFP) to procure Third Party Administrative (TPA) Services for the State of Maryland's Flexible Spending Account (FSA) plans – Health Care and Dependent Care. In addition, the State intends to have the third party administrator perform non-discrimination testing for the FSAs and the State's cafeteria plan, through which the State offers health, dental and prescription benefits. The State's goals are to obtain a third party administrator for its flexible spending account plans and in the interest of economy and efficiency, to use the selected offeror's existing system and procedures to the maximum extent possible.

Please note that Aon Consulting, as the State's benefits consultant, is assisting the State in this procurement.

## 1.2 Abbreviations and Definitions

For purposes of this RFP, the following abbreviations or terms have the meanings indicated below:

- a. **BAS** - means Benefits Administration System that is the State's automated on-line enrollment system.
- b. **COBRA** - means Consolidated Omnibus Budget Reconciliation Act.
- c. **COMAR** - means Code of Maryland Regulations.
- d. **Contractual Employee** - means a non-permanent employee of the State of Maryland who is not eligible for State subsidy of benefits, but is eligible to enroll in the State of Maryland Benefits Program, paying full premium costs.
- e. **Covered Entity** – means a covered entity as defined by 45 CFR §160.103.
- f. **DBM** - means the Department of Budget and Management.
- g. **Dependent** – means a spouse, natural children, stepchild, legally adopted child, or legal ward of an eligible member who is also a tax dependent of the employee, as defined in and made eligible for benefits by COMAR 17.04.13.03.A(11).
- h. **Dependent Care Flexible Spending Account (DCFSA)** – An individual account into which State employees deposit pre-tax contributions to pay for qualified dependent care expenses.
- i. **Direct Pay Enrollee** - means an individual who is billed directly by the Department of Budget and Management for selected benefits, including COBRA Participants, Leave of Absence Participants, Contractual Employees and Part-Time Employees.
- j. **Disclosure** – means the release, transfer, provision of access to, or divulging in any other manner of information outside the entity holding the information.
- k. **EBD** - means Employee Benefits Division.
- l. **EOB** - means Explanation of Benefits.
- m. **FMLA** – means Family Medical Leave Act.
- n. **Health Care Flexible Spending Account (HCFSA)** – An individual account into which State employees deposit pre-tax contributions to pay for qualified covered health care expenses.
- o. **Health Plan** – means a self-funded group health plan administered for State employees, retirees and their dependents. Note: the HCFSA is a health plan.

- p. **HIPAA** – means Health Insurance Portability & Accountability Act, and its corresponding regulations.
- q. **Leave of Absence** - means the period of time a permanent employee has elected non-paid leave of absence from State of Maryland employment. During this time, the employee is not eligible for State subsidy of benefits (unless the leave is authorized FMLA leave), but is eligible to continue participation in certain benefits provided by the State of Maryland while on a leave of absence.
- r. **Local Time** - means Eastern Time as observed in the State of Maryland.
- s. **MBE** - means a Minority Business Enterprise that is certified as such by the Maryland Department of Transportation.
- t. **Medical Records Act** – means the Maryland Confidentiality of Medical Records Act, Annotated Code of Maryland, Health-General Article, Title 4, Subtitle 3.
- u. **MIS** - means Management Information System.
- v. **Participant** - means an employee who is eligible to participate in the State of Maryland Benefits Program but does not include the member’s dependents.
- w. **Part-Time Employee** - means a permanent employee who works less than fifty percent of the standard workweek and is not eligible for state subsidy of benefits, but is eligible to enroll in the State of Maryland Benefits Program.
- x. **PEPM** – means Per Enrollee Per Month; the cost for each Participant on a monthly basis.
- y. **PHI** – means Protected Health Information, as the phrase is defined in 45 CFR §164.501.
- z. **RFP** - means this Request for Proposals for TPA services for the State’s FSAs
- aa. **Satellite Account Employee** - means an employee of a political subdivision, agency, commission, or organization that is permitted by Maryland law to participate in the State of Maryland Benefits Program.
- bb. **Subcontractor** - means an organization or entity that the offeror plans to utilize for the purposes of services covered under this contract.
- cc. **TPA** - means Third Party Administrator.
- dd. **TTY/TDD** - means a telephone device used by hearing impaired individuals whereby they communicate via telephone connected to a keyboard and screen.
- ee. **Use** – means, with respect to individually identifiable health information, the sharing, employment, application, utilization, examination, or analysis of such information within an entity that maintains such information.

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### **1.3 Scope**

The scope of this RFP is to provide Third Party Administrative services for eligible and enrolled participants of the State's Flexible Spending Accounts – Health Care and Dependent Care. The State's contract with the current TPA for FSAs expires on July 14, 2005. The vendor who is awarded the contract pursuant to this RFP will be required to perform TPA services beginning with the new plan year beginning July 1, 2005, and implementation services in Spring 2005.

### **1.4 Contract Type**

The contract that results from this RFP shall be a fixed price contract for indefinite quantities as provided in COMAR 21.06.03.02A(2) and 21.06.03.06A(2).

### **1.5 Contract Duration**

The contract resulting from this RFP shall be for a period of about three (3) years with two additional 1-year options at the State's sole discretion beginning upon award of the contract (approximately March 2005). Services required include the administration of runout claims incurred prior to last date of the last plan year covered by the contract. The base term of the contract shall include 3 plan years and end with the plan year ending June 30, 2008. Option years begin with the next plan year.

### **1.6 Procurement Officer**

The sole point of contact at the State for purposes of this RFP, prior to the award of any contract, is the Procurement Officer at the address listed below:

Edward Bannat, Procurement Officer  
Department of Budget and Management  
45 Calvert Street/ First Floor, Room 118  
Annapolis, Maryland 21401  
Telephone #: 410 - 260 - 7662  
Fax #: 410 - 974 - 3274  
E-mail: ebannat@dbm.state.md.us

### **1.7 Pre-Proposal Conference**

A Pre-Proposal Conference will be held on **January 5, 2005**, beginning at **9:30AM** at the Judiciary Training Center, 2009D Commerce Park Drive, Annapolis MD 21401. Attendance at the Pre-Proposal Conference is not mandatory, but all interested Offerors are encouraged to attend in order to facilitate better preparation of their proposals. In addition, attendance may facilitate the Offeror's understanding and ability to meet the State's Minority Business Enterprise (MBE) goals.

The Conference will be transcribed. A copy of the transcript of the Pre-Proposal Conference will be made available to potential Offerors at a nominal charge directly from the transcription company. The identity of the company and details of how to obtain a transcript copy will be provided at the conference. In addition, as promptly as is feasible subsequent to the Conference, a summary of the Pre-Proposal Conference and all questions and answers known at that time will be distributed, free of charge, to all prospective Offerors known to have received a copy of this RFP.



If there is a need for sign language interpretation and/or other special accommodations due to a disability, it is requested that at least five days advance notice be provided. DBM will make reasonable efforts to provide such special accommodation.

## **1.8 Use of “e-Maryland Marketplace”**

“e-Maryland Marketplace” is an electronic commerce system administered by the Maryland Department of General Services. In addition to using the DBM web site (<http://www.dbm.maryland.gov>) and other means for transmitting the RFP and associated materials, the solicitation and minutes of the pre-bid/proposal conference, Offeror questions and DBM responses, addenda, and other solicitation related information will be provided via e-Maryland Marketplace.

This means that all such information is immediately available to organizations who subscribe to e-Maryland Marketplace. Because of the instant access afforded by e-Maryland Marketplace, it is recommended that all Offerors interested in doing business with Maryland State agencies subscribe to e-Maryland Marketplace.

Depending on the desired level of service, there is an annual subscription cost of \$150 or \$225. Information, including on-line subscription access, can be obtained at the e-Maryland Marketplace website at [http://www.emarylandmarketplace.com//emm/index.cfm?page=vendor\\_info](http://www.emarylandmarketplace.com//emm/index.cfm?page=vendor_info).

Offerors who wish to obtain a paper copy of this RFP should contact the Procurement Officer. Please note that there is a document charge of \$25.

## **1.9 Questions**

Written questions from prospective Offerors will be accepted by the Procurement Officer prior to the pre-proposal conference. If possible and appropriate, such questions will be answered at the pre-proposal conference. (No substantive question will be answered prior to the pre-proposal conference.) Questions may be submitted by mail, facsimile, or preferably, by e-mail to the Procurement Officer. Questions, both oral and written, will also be accepted from prospective Offerors attending the Pre-Proposal Conference. If possible and appropriate, these questions will be answered at the Pre-Proposal Conference.

Questions will also be accepted subsequent to the Pre-Proposal Conference. All post-conference questions should be submitted in a timely manner to the Procurement Officer only. The Procurement Officer shall, based on the availability of time to research and communicate an answer, decide whether an answer can be given before the proposal due date. Answers to all substantive questions that have not previously been answered, and are not clearly specific only to the requestor, will be distributed to all vendors who are known to have received a copy of the RFP.

## **1.10 Proposals Due (Closing) Date**

An unbound original and seven (7) bound copies of each proposal (technical and financial) must be received by the Procurement Officer, at the address listed in Section 1.6, no later than **3:00 PM** (local time) on **JANUARY 26, 2005** in order to be considered. An electronic version on CD of the Technical Proposal (in MS Excel format and WORD, as appropriate) must be enclosed with the original technical proposal. An electronic version on CD of the Financial Proposal in MS Excel format must be enclosed with the original financial proposal. Ensure that the diskettes are labeled with the RFP title, RFP number, Offeror name and packaged with the original copy of the appropriate proposal (technical or financial).

Requests for extension of this date or time will not be granted. Offerors mailing proposals should allow sufficient mail delivery time to ensure timely receipt by the Procurement Officer. Except as provided in COMAR 21.05.03.02F, proposals received by the Procurement Officer after the due date, January 26, 2005 at 3:00 PM (local time) will not be considered. Proposals may not be submitted by e-mail or facsimile.

### **1.11 Duration of Offer**

Proposals submitted in response to this RFP are irrevocable for 120 days following the closing date of proposals or of Best and Final Offers (BAFOs), if requested. This period may be extended at the Procurement Officer's request only with the Offeror's written agreement.

### **1.12 Revisions to the RFP**

If it becomes necessary to revise this RFP before the due date for proposals, amendments will be posted on the DBM website and eMarylandmarketplace, and provided to all prospective Offerors who were sent this RFP or otherwise are known by the Procurement Officer to have obtained this RFP. Amendments made after the due date for proposals will be sent only to those Offerors who submitted a timely proposal.

Acknowledgment of the receipt of all amendments to this RFP issued before the proposal due date must accompany the Offeror's proposal in the Transmittal Letter accompanying the Technical Proposal submittal. Acknowledgement of the receipt of amendments to the RFP issued after the proposal due date shall be in the manner specified in the amendment notice. Failure to acknowledge receipt of amendments does not relieve the Offeror from complying with all terms of any such amendment.

### **1.13 Cancellations; Discussions**

The State reserves the right to cancel this RFP, accept or reject any and all proposals, in whole or in part, received in response to this RFP, to waive or permit cure of minor irregularities, and to conduct discussions with all qualified or potentially qualified Offerors in any manner necessary to serve the best interests of the State of Maryland. The State also reserves the right, in its sole discretion, to award a contract based upon the written proposals received without prior discussions or negotiations.

### **1.14 Oral Presentation**

Offerors will be required to make oral presentations to State representatives. Significant representations made by an Offeror during the oral presentation must be reduced to writing. All such representations will become part of the Offeror's proposal and are binding if the contract is awarded. The Procurement Officer will notify Offerors of the time and place of oral presentations. Typically, oral presentations occur approximately two to four weeks after the proposal due date.

### **1.15 Incurred Expenses**

The State will not be responsible for any costs incurred by an Offeror in preparing and submitting a proposal, in making an oral presentation, in providing a demonstration, or in performing any other activities relative to this solicitation.

## **1.16 Economy of Preparation**

Proposals should be prepared simply and economically, providing a straightforward, concise description of the Offeror's proposal to meet the requirements of this RFP.

## **1.17 Protests/Disputes**

Any protest or dispute related respectively to this solicitation or the resulting contract shall be subject to the provisions of COMAR 21.10 (Administrative and Civil Remedies).

## **1.18 Multiple or Alternative Proposals**

Neither multiple nor alternate proposals will be accepted.

## **1.19 Access to Public Records Act Notice**

An Offeror should give specific attention to the clear identification of those portions of its proposal that it considers confidential, proprietary commercial information or trade secrets, and provide justification why such materials, upon request, should not be disclosed by the State under the Access to Public Records Act, Title 10, Subtitle 6, of the State Government Article of the Annotated Code of Maryland. (See Section 4.4.2.1)

Information which is claimed to be confidential is to be placed after the Title Page and before the Table of Contents in the Offeror's Technical Proposal, and if applicable, also in its Financial Proposal. Offerors are advised that, upon request for this information from a third party, the State will make an independent determination whether the information can be disclosed (see COMAR 21.05.08.01).

## **1.20 Offeror Responsibilities**

The selected Offeror/Contractor shall be responsible for all products and services required by this RFP. Subcontractors must be identified, and a complete description of their roles relative to the proposals must be included in the Proposal. The selected Offeror retains the responsibility for all work performed by and any deliverable submitted by a subcontractor. If an Offeror that seeks to perform or provide the services required by this RFP is the subsidiary of another entity, all information submitted by the Offeror such as, but not limited to, references and financial reports, shall pertain exclusively to the Offeror, unless the parent organization will guarantee the performance of the subsidiary. If applicable, the Offeror's proposal must contain an explicit statement that the parent organization will guarantee the performance of the subsidiary. Additional information regarding MBE subcontractors is provided in paragraph 1.24 below, Section 4.4.5, and Exhibit D.

## **1.21 Mandatory Contractual Terms**

By submitting an offer in response to this RFP, an Offeror, if selected for award, shall be deemed to have accepted the terms of this RFP and the Contract, attached as **Attachment A**. Any exceptions to this RFP or the Contract must be clearly identified in the Executive Summary of the technical proposal. A proposal that takes exception to these terms may be rejected. (See Section 4.4.2.2)

## **1.22 Proposal Affidavit**

A proposal submitted by an Offeror must be accompanied by a completed Bid/Proposal Affidavit. A copy of this Affidavit is included as **Attachment B** of this RFP.

## **1.23 Contract Affidavit**

All Offerors are advised that if a contract is awarded as a result of this solicitation, the successful Offeror will be required to complete a Contract Affidavit. A copy of this Affidavit is included for informational purposes as **Attachment C** of this RFP. This Affidavit must be provided with the signed contract after notification of proposed contract award.

## **1.24 Minority Business Enterprises**

A minority business enterprise subcontractor participation goal of fifteen percent (15%) of administrative fees has been established for this solicitation. The contractor shall structure its awards of subcontracts under the contract in a good faith effort to achieve the goals in such subcontract awards by businesses certified by the State of Maryland as minority owned and controlled. MBE requirements are specified in **Attachment D** of this RFP. Subcontractors used to meet the minority business enterprise goal of this RFP must be identified in the Offeror's proposal.

*Questions or concerns regarding the MBE requirements of this solicitation must be raised before the opening of bids or receipt of initial proposals.*

A current directory of MBEs is available through the Maryland State Department of Transportation, Office of Minority Business Enterprise, P. O. Box 8755, B.W.I. Airport, Maryland 21240-0755. The phone number is 410-865-1244. The directory is also available at <http://www.mdot.state.md.us>. Select the MBE Program label. The most current and up-to-date information on MBEs is available via the web site.

## **1.25 Arrearages**

By submitting a response to this solicitation, each Offeror represents that it is not in arrears in the payment of any obligations due and owing the State of Maryland, including the payment of taxes and employee benefits, and that it shall not become so in arrears during the term of the contract if selected for contract award.

## **1.26 Procurement Method**

This contract will be awarded in accordance with the competitive sealed proposals process under COMAR 21.05.03.

## **1.27 Verification of Registration and Tax Payment**

Before a corporation can do business in the State of Maryland it must be registered with the Department of Assessments and Taxation, State Office Building, Room 803, 301 West Preston Street, Baltimore, Maryland 21201. It is strongly recommended that any potential Offeror complete registration prior to the due date for receipt of proposals. An Offeror's failure to complete registration with the Department of Assessments and Taxation may disqualify an otherwise successful Offeror from final consideration and recommendation for contract award.

### **1.28 False Statements**

Offerors are advised that section 11-205.1 of the State Finance and Procurement Article of the Annotated Code of Maryland provides as follows:

- (a) In connection with a procurement contract a person may not willfully:
  - (1) falsify, conceal, or suppress a material fact by any scheme or device;
  - (2) make a false or fraudulent statement or representation of a material fact; or
  - (3) use a false writing or document that contains a false or fraudulent statement or entry of a material fact.
- (b) A person may not aid or conspire with another person to commit an act under subsection (a) of this section.
- (c) A person who violates any provision of this section is guilty of a felony and on conviction is subject to a fine not exceeding \$20,000 or imprisonment not exceeding 5 years or both.

### **1.29 Electronic Funds Transfers**

By submitting a response to this solicitation, the Bidder/Offeror agrees to accept payments by electronic funds transfer unless the State Comptroller's Office grants an exemption. The selected Bidder/Offeror shall register using the Attachment F: COT/GAD X-10 Vendor Electronic Funds (EFT) Registration Request Form. Any request for exemption must be submitted to the State comptroller's Office for approval at the address specified on the COT/GAD X-10 form and must include the business identification information as stated on the form and include the reason for the exemption.

### **1.30 Electronic File Transfers**

All electronic file transfers between the Department of Budget and Management and the Contractor shall be exchanged using a point-to-point Virtual Private Network (VPN) connection approved by the State of Maryland, Department of Budget and Management, Office of Information Technology.

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## **SECTION 2 – OFFEROR MINIMUM QUALIFICATION**

Please refer to the first tab of the Excel portion of this RFP for the required minimum qualification and verification.

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## SECTION 3 – SCOPE OF WORK

### 3.1 Description of Current Program

The State of Maryland currently offers both types of flexible spending accounts – health care and dependent care to its eligible members. Estimated deposits into health care and dependent care spending accounts for Calendar Year 2004 total \$9,703,641. The table below shows flexible spending account summary participation information by plan category.

Enrollees	Health Care FSA Only	Dependent Care FSA Only	Both Accounts
Active	4,427	575	671
Satellite	57	10	7
Direct Pay	N/A	N/A	N/A
<b>TOTAL</b>	4,484	585	678
<b>TOTAL REIMBURSEMENTS</b>	\$5,086,432	\$4,617,209	

Enrollees for December 2003	Health Care FSA Only	Dependent Care FSA Only	Both Accounts
Active	4,177	651	668
Satellite	62	11	7
Direct Pay	N/A	N/A	N/A
<b>TOTAL</b>	4,239	662	675
<b>Enrollees – PY 2003</b>	5,365	1,491	
<b>Deposits – PY 2003</b>	\$4,824,931	\$4,951,537	
<b>Reimbursements – PY 2003</b>	\$4,632,563	\$4,909,630	
<b>Claims Processed – PY 2003</b>	17,123	7,740	

Participant salary reductions for the flexible spending accounts are taken from employee's paychecks for 24 of the 26 pays for bi-weekly employees, 12 of the 12 pays for monthly employees and 19 of the 21 pays for ten-month employees.

The current administrator of the FSAs is CompuSys/ERISA. Approximately 24,863 claims for reimbursement were received in calendar year 2003 for 6,856 State members participating in the two plans.

The FSAs are currently operated on a calendar year basis, from January 1 through December 31. Participants have until April 15 of the following calendar year to submit reimbursement requests, with all necessary substantiating documentation. No requests for reimbursement are accepted after April 15.

Beginning July 1, 2005, the State benefits plans, including the FSA plans, will operate from July 1 through June 30 of the subsequent calendar year, to coincide with the State's fiscal year. Participants will have until October 15 following the end of each plan year to submit reimbursement requests with all

necessary substantiating documentation. No requests for reimbursement will be accepted after October 15. Offerors are requested to specifically address how they plan to administer this arrangement in their proposals.

### 3.2. Background

The State provides an expansive range of employee benefit plans to approximately 70,000 active employees, 32,000 retirees, 2,500 Satellite Account Employees, 1,500 Direct Pay Enrollees, and their covered dependents. Benefit plans include health (including behavioral health), dental, group term life, accidental death and dismemberment, flexible spending accounts, prescription drugs, and long term care. These benefits are currently offered and operated on a calendar year basis. For active, full-time employees, participation in the benefit plans is offered through the State of Maryland Cafeteria Plan. The HCFSAs and the DCFSA are both offered through the Cafeteria Plan, with COBRA enrollment through the end of the plan year permitted for the HCFSAs.

These benefits are offered to a diverse workforce that includes clerical, administrative, technical, professional, maintenance, educational (State colleges and universities), public safety and appointed and elected officials at more than 250 different worksites.

Due to the large number of State employees, diverse population and numerous employee work locations, the State sponsors annual Benefit Fairs during each annual open enrollment period. During the Fall 2004 Open Enrollment, the State conducted approximately 100 Benefit Fairs throughout the State.

### 3.3 Project Milestones and Due Dates

Following are the high level milestones and the State's desired due dates, where applicable:

<b>Milestone</b>	<b>Date</b>
3.3.1 Begin implementation meetings	Upon contract award
3.3.2 Initiate information transfer and vendor implementation activities/transition protocols	Within seven (7) calendar days of award
3.3.3 Completion of information transfer activities	21 calendar days after contract award
3.3.4 Completion of vendor implementation plan/transition protocols	30 calendar days after contract award
3.3.5 Benefit Coordinator Training Session (for each plan year)	Within 3 months of new plan year
3.3.6 Open Enrollment and Benefit Fairs (for each plan year)	Approximately 3 months prior to beginning of new plan year
3.3.7 Commence Benefit Coverage (for each plan year)	FSA TPA will begin administration services for both FSAs on July 1, 2005



### 3.4 Description of Scope of Work

The Contractor shall be required to provide TPA services for the FSA plans beginning on July 1, 2005. The Contractor will also be required to provide TPA services for each FSA for every plan year that commences during the term of the contract including run-out administration of reimbursement requests for expenses incurred during the plan year but filed after the end of the plan year. In addition, for each plan year that commences during the term of the contract, the Contractor may be requested to provide non-discrimination testing services for the State’s Cafeteria Plan, including the FSAs.

The sections of the Excel-based portions of this RFP (Attachment G) describe and contain the majority of the Scope of Work for this contract. All required signatures, explanations and attachments must be included in the Offeror’s proposal.

#### 3.4.1 Technical Proposal

For the remaining sections, the RFP contains an Excel files (Attachment “G”), labeled “FSA Technical Response.xls”, containing response pages and supporting data to complete a response, summarized as follows:

<b>Section</b>		<b>Tab Name</b>	<b>File Name</b>
<b>Response Pages</b>			
Attachment G-1:	Offeror Qualification	Offeror Qualification	FSA Technical Response.xls
Attachment G-2:	Introduction	Introduction	FSA Technical Response.xls
Attachment G-3:	Plan Information	Plan Information	FSA Technical Response.xls
Attachment G-4:	Explanation	Explanation	FSA Technical Response.xls
Attachment G-5:	Plan Design	Plan Design	FSA Technical Response.xls
Attachment G-6:	Compliance Checklist	Comp Chklist	FSA Technical Response.xls
Attachment G-7:	Questionnaire	Questionnaire	FSA Technical Response.xls
Attachment G-8:	Subcontractors Questions	Subcontractor Questions	FSA Technical Response.xls
Attachment G-9:	Implementation Plan	Implementation	FSA Technical Response.xls
Attachment G-10:	Account Management Plan	Acct Manage	FSA Technical Response.xls
Attachment G-11:	Maryland Benefits	MD Benefits	FSA Technical Response.xls
Attachment G-12:	Performance Guarantees	Perf. Guarantees	FSA Technical Response.xls

The files are in Microsoft Excel (.xls) format and have been compressed to a self-extracting ZIP (.zip) file using WinZip.

Please note that the majority of the questions have been structured to elicit “Yes” or “No” responses, except where otherwise noted.

## SECTION 4 – PROPOSAL FORMAT

### 4.1 Two Part Submission

Offerors must submit proposals in two separate volumes:

- Volume I - TECHNICAL PROPOSAL
- Volume II - FINANCIAL PROPOSAL

### 4.2 Proposals

Volume I-Technical Proposal must be sealed separately from Volume II-Financial Proposal but submitted simultaneously to the Procurement Officer (address listed on Key Information Summary and in Section 1.6). This is the only address to which proposals may be submitted. An unbound original, so identified, and **seven (7)** bound copies of each volume are to be submitted. Hard copies must be a complete proposal containing all information contained on the CDs. Offerors must attach to the original Technical Proposal three (3) separate CDs containing an electronic version of Volume I- Technical Proposal (in MS Excel format and WORD, as appropriate). Offerors must also attach to the original Financial Proposal three (3) separate CDs containing an electronic version of the Volume II- Financial Proposal (in MS Excel format). Please note, the Offeror must provide separate CDs for the Technical Proposal and the Financial Proposal, resulting in 6 CDs attached to the proposal. The CDs containing the electronic responses should be placed in separate envelopes labeled “Offeror Response Diskettes – Volume “X” (“X” is Volume I or Volume II, as appropriate).

### 4.3 Submission

Each Offeror is required to submit a separate sealed package for each "Volume", which is to be labeled Volume I-Technical Proposal and Volume II-Financial Proposal. Each sealed package must bear the RFP title and number, name and address of the Offeror, the volume number (I or II), and the closing date and time for receipt of the proposals on the outside of the package. Please label the electronic media with Volume I-Technical Proposal and Volume II-Financial Proposal, as appropriate.

All pages of both proposal volumes must be consecutively numbered from beginning (Page 1) to end (Page “x”).

### 4.4 Volume I – Technical Proposal

#### 4.4.1 Transmittal Letter

A transmittal letter must accompany the technical proposal. The purpose of this letter is to transmit the proposal and acknowledge the receipt of any addenda. The transmittal letter should be brief and signed by an individual who is authorized to commit the Offeror to the services and requirements as stated in this RFP.

#### 4.4.2 Format of Technical Proposal

Technical proposals must be submitted in a separate sealed package labeled "Volume I - Technical Proposal" and must bear the name and address of the Offeror, the name and number of the RFP and the closing date for proposals on the outside of the package. Inside this package an unbound original, to be so labeled, **seven (7)** copies, and three (3) electronic copies (in MS Excel format and WORD, as

appropriate) on 3 separate CDs in a separate envelope labeled as described in Section 4.2, shall be provided. The technical proposal shall include:

**4.4.2.1 Title and Table of Contents**

The technical proposal should begin with a title page bearing the name and address of the Offeror and the name and number of this RFP. This should be followed by a table of contents for the technical proposal. Information which is claimed to be confidential is to be identified after the Title Page and before the Table of Contents in the Offeror’s Technical Proposal, and if applicable, also in its Financial Proposal.

**4.4.2.2 Executive Summary**

The Offeror shall condense and highlight the contents of the technical proposal in a separate section titled “Executive Summary” including how the Offeror meets the minimum qualification outlined in Section 2.1. The summary shall also identify any exceptions the Offeror has taken to the requirements of this RFP, the contract (**Attachment A**), or any other attachments.

WARNING: Exceptions to terms and conditions may result in having the proposal deemed unacceptable or classified as not reasonably susceptible of being selected for award.

**4.4.2.3 Response to Excel RFP**

Offeror’s **Volume I – Technical Proposal** (hard copy) must be submitted in the following format:

<u>Technical Proposal Tab Name</u>	<u>Section Name Corresponding to Excel-based portion of the RFP</u>
Attachment G-1:	Offeror Qualification
Attachment G-2:	Introduction
Attachment G-3:	Plan Information
Attachment G-4:	Explanation to “No” answers
Attachment G-5:	Current FSA Plan Design
Attachment G-6:	State Requirements
Attachment G-7:	Questionnaire
Attachment G-8	Subcontractor Questions
Attachment G-9	Implementation Plan
Attachment G-10	Account Management Plan
Attachment G-11	Maryland Benefits
Attachment G-12	Performance Guarantees
Attachment G-13:	Plan Experience Reporting Package
Attachment G-14:	Management Reporting Package
Attachment G-15:	Annual Reports
Attachment G-16:	Financial Statements
Attachment G-17:	Plan Forms
Attachment G-18:	Communication Package
Attachment G-19:	Draft Plan Description
Attachment G-20:	Quality Assurance
Attachment G-21:	Appeals Protocols

In addition, the Offeror must provide electronic responses for each listed attachment on a CD, using the Excel files provided in the RFP.

#### 4.4.3 Financial Capability and Statements

The Offeror shall provide evidence that the Offeror has the financial capacity to provide the services by providing copies of the last two (2) year end financial statements (independently audited preferred). The financial statements must be for the entity proposing to provide services under this contract and not for any prospective owners or parent companies not directly involved in the provision of services.

#### 4.4.4 Economic Benefit Factors

1) The Offeror shall describe the benefits that will accrue to the State of Maryland economy as a direct or indirect result of the Offeror's performance of the contract resulting from this RFP. The Offeror will take into consideration the following elements. **(Do not include any detail of the financial proposal with this technical information):**

- The estimated percentage of contract dollars to be recycled into Maryland's economy in support of the contract, through the use of Maryland subcontractors, suppliers and joint venture partners. Offerors should be as specific as possible and provide a percentage breakdown of expenditures in this category.
- The estimated number and types of jobs for Maryland residents resulting from this contract. Indicate job classifications, number of employees in each classification, and the aggregate Maryland payroll percentages to which the contractor has committed at both prime and, if applicable, subcontract levels.
- Tax revenues to be generated for Maryland and its political subdivisions as a result of this contract. Indicate tax category (sales tax, inventory taxes and estimated personal income taxes for new employees). Provide a forecast of the total tax revenues resulting from the contract.
- The estimated percentage of subcontract dollars committed to Maryland small businesses and MBEs.

2) In addition to the factors listed above, the Offeror should explain any other economic benefit to the State of Maryland that would result from the Offeror's proposal.

#### 4.4.5 Subcontractors

Offerors must identify subcontractors and the role these subcontractors will have in the performance of the contract. The Offeror should include responses to the Subcontractor Questions for each subcontractor disclosed. MBE subcontractors must also be identified in the Proposal and each Subcontractor question must be answered with regard to each MBE.

Offerors must submit completed and fully-executed attachments D-1 and D-2 with their technical proposals.

### 4.5 Volume II - Financial Proposal

Under separate sealed cover from the Technical Proposal and clearly identified with the same information noted on the Technical Proposal, the Contractor must submit an original unbound copy, **seven (7)** bound copies, and three (3) electronic copies (in MS Excel format on 3 separate CDs) in a separate envelope labeled as described in Section 4.2, of the Financial Proposal. The Financial Proposal must contain all

cost information in the format specified in **Attachment H** and its related Exhibits. Complete the cost sheets only as provided in the Price Proposal Instructions on the Cover Page tab.

All per enrollee per month (PEPM) fees must be quoted on a fully loaded basis, i.e., fees must include all direct and indirect costs, general and administrative overhead, purchasing burden and profit. No other fees or charges may be added to the contract after award, nor will the contractor be compensated on any basis other than the applicable fully loaded PEPM rate. There is a separate fee for the administration of runout.

The RFP contains an Excel file for **Attachment H**, labeled “FSA Financials.xls”, containing instructions, response pages, and historical enrollment and claims information. Offeror’s **Volume II – Financial Proposal** (hard copy) must be submitted in the format specified below.

<b><u>Financial Proposal</u></b> <b><u>Tab Name</u></b>	<b><u>Section Name Corresponding to Excel-based Attachment M</u></b>
Attach H-1	Financial Proposal
Attach H-2	Financial Compliance Checklist
Attach H-3	Financial Compliance Checklist - Explanation
Attach H-4	Administration Fees

The files are in Microsoft Excel (.xls) format and have been compressed to a self-extracting ZIP (.zip) file using WinZip.

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# SECTION 5 – EVALUATION CRITERIA AND SELECTION PROCEDURE

## 5.1 Evaluation Criteria

Evaluation of the proposals will be performed by a committee organized for that purpose. Evaluations will be based on the criteria set forth below.

## 5.2 Technical Criteria

The criteria to be applied to each technical proposal are listed in descending order of importance:

1. Capability
  - a. Capacity to deliver services
  - b. Experience in providing TPA services for FSAs
  - c. Past performance on similar contracts
  - d. History and Structure
  - e. Comprehensive IT support for all functions
2. Program Administration
  - a. General administration and compliance (HIPAA, Treasury/IRS Code and regulations, documentation and filing, etc.)
  - b. Participant services
  - c. Claims paying services (including paper claims and use of debit cards)
  - d. Information services and data reporting (including web-based and telephonic support)
3. Quality Assurance/Client Services
4. Implementation and Account Management
5. Maryland Economic Impact

## 5.3 Financial Criteria

All qualified Offerors will be ranked from the lowest to the highest price based on the “Cumulative Cost for Plan Years FY05-06 through FY 07-08” as quoted by the offeror on Line 6 of the Financial Proposal Attachment H-4.

## 5.4 Reciprocal Preference

Although Maryland law does not authorize procuring agencies to favor resident Offerors in awarding procurement contracts, many other states do grant their resident businesses preferences over Maryland contractors. Therefore, as described in COMAR 21.05.01.04, a resident business preference will be given if: a responsible Offeror whose headquarters, principal base of operations, or principal site that will primarily provide the services required under this RFP is in another state submits the most advantageous offer; the other state gives a preference to its residents through law, policy, or practice; and, the preference does not conflict with a Federal law or grant affecting the procurement contract. The

preference given shall be identical to the preference that the other state, through law, policy or practice gives to its residents.

## **5.5 Selection Procedures**

### **5.5.1 General Selection Process**

The contract will be awarded in accordance with the competitive sealed proposals process under Code of Maryland Regulations 21.05.03. The competitive sealed proposals method is based on discussions and revision of proposals during these discussions.

Accordingly, the State may hold discussions with all Offerors judged reasonably susceptible of being selected for award, or potentially so. However, the State also reserves the right to make an award without holding discussions. In either case of holding discussions or not doing so, the State may determine an Offeror to be not responsible and/or an Offeror's proposal to be not reasonably susceptible of being selected for award, at any time after the initial closing date for receipt of proposals and the review of those proposals. If the State finds an Offeror to be not responsible and/or an Offeror's technical proposal to be not reasonably susceptible of being selected for award, an Offeror's financial proposal will be returned unopened.

### **5.5.2 Selection Process Sequence**

- 1) The first step in the process will be to assess compliance with the Offeror Minimum Qualification set forth in Section 2 of the RFP. Offerors who fail to meet this basic requirement will be disqualified and their proposals eliminated from further consideration.
- 2) The next level of review will be an evaluation for technical merit. During this review oral presentations and discussions may be held. The purpose of such discussions will be to assure a full understanding of the State's requirements and the Offeror's ability to perform, and to facilitate arrival at a contract that will be most advantageous to the State. For scheduling purposes, Offerors should be prepared to make an oral presentation and participate in discussions within two to four weeks of the delivery of proposals to the State. The Procurement Officer will contact Offerors when the schedule is set by the State.
- 3) Offerors must confirm in writing any substantive oral clarification of, or change in, their proposals made in the course of discussions. Any such written clarification or change then becomes part of the Offeror's proposal.
- 4) The financial proposal of each qualified Offeror will be evaluated separately from the technical evaluation. After a review of the financial proposals of qualified Offerors, the Procurement Officer may again conduct discussions.
- 5) When in the best interest of the State, the Procurement Officer may permit Offerors who have submitted acceptable proposals to revise their initial proposals and submit, in writing, best and final offers (BAFOs).

### **5.5.3 Award Determination**

Upon completion of all discussions and negotiations, reference checks, and site visits, if any, the Procurement Officer will recommend award of the contract to the responsible Offeror(s) whose proposal is determined to be the most advantageous to the State considering technical evaluation factors and price factors as set forth in this RFP. In making the most advantageous Offeror determination, technical factors will be given greater weight than price factors.