

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

SERVICES CONTRACT

ITEM: 1-S **Agency Contact:** Anne Timmons
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DEPARTMENT/PROGRAM: Budget and Management (DBM)
Office of Personnel Services and Benefits (OPSB)
Employee Benefits Division (EBD)

CONTRACT ID: F10B0400011;
Behavioral Health & Employee Assistance Program
(EAP) Benefit Administration Services
ADPICS NO. F10B0400011 (Claims)
F10B1400009 (Admin.)

CONTRACT DESCRIPTION: Contract to provide third party administrative services for Maryland State active employees, retirees and their dependents enrolled in the Preferred Provider Organization (PPO) or Point of Service (POS) medical plans. The contract also provides Employee Assistance Plan (EAP) benefits to all active State employees.

AWARD: APS Healthcare Bethesda, Inc. (APS)
Baltimore, Maryland

TERM: 4/1/2011 – 6/30/2014

AMOUNT: \$57,487,058 Total (3 Years)

PROCUREMENT METHOD: Competitive Sealed Proposals

BIDS OR PROPOSALS: See Attachment

MBE PARTICIPATION: 1.08% (See Requesting Agency Remarks below)

PERFORMANCE SECURITY: None

INCUMBENT: Same

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ITEM: 1-S (Cont.)

REQUESTING AGENCY REMARKS: A notice of the availability of the Request for Proposals (RFP) was advertised on *eMarylandMarketplace.com* and posted on the DBM website. Copies of the solicitation were emailed directly to 147 prospective vendors, all of which are MBEs and 132 are Maryland firms. Copies were also emailed to the Governor's Office of Minority Affairs.

A total of six proposals were received in response to the RFP, five of which were deemed reasonably susceptible of being selected for award. One proposal was deemed not reasonably susceptible of being selected for award due to non-compliance with MBE submission requirements. The financial proposal of this sixth offeror was returned unopened.

The RFP provided that technical ranking had equal weight to the financial ranking in the overall award determination. APS Healthcare Bethesda, Inc. (APS) was ranked #1 financially, with roughly a \$3.1 million (8.4%) price difference between it and the #2 financially-ranked offeror (ranked #2 technically) and a \$5.3 million (13.5%) price difference between it and the #4 financially-ranked offeror (ranked #1 technically). Though ranked #3 technically, combined with its lower prices over the two higher technically ranked offerors, APS was judged to have submitted the most advantageous offer to the State. The capabilities among the top three technically ranked offerors were judged to be very close. This is why despite being ranked #3 technically, it was still determined that APS' proposal is the most advantageous to the State, and APS is recommended for award.

APS is the incumbent provider of these services under the current contract and the prior contract. Spread between these two contracts, APS has performed these services for almost 10 years. During all this time APS has performed the contract very satisfactorily. Despite being ranked #3 technically, it is determined that the substantially lower price from APS more than compensates for the slight degree of technical advantage of the two higher technically ranked offerors.

The *Award Amount* and the *Financial Price* are different. The *Financial Price* is based upon a financial evaluation model to allow for proper comparison between offerors, as shown in the Attachment, with a flat trend and enrollment pricing structure. In addition, the hospital/facility claims amount was not included in the *Financial Price* because these claim prices are regulated by the Maryland Health Services Cost Review Commission (HSCRC).

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The *Award Amount* includes the projected trend and enrollment changes over the next three years and particularly the hospital/facility claim amounts. The *Award Amount* is the estimated projected price for the administrative fees, run-out fees, provider claims amounts and the hospital/facility claims amounts for the three-year contract term. Claim amounts are based on the plan's enrollment as of January 2010. Administrative fees are based upon firm-fixed unit prices established in the contract. The actual amount paid to the Contractor may be more or less than this estimated *Award Amount*. If payment amounts are projected to exceed the award amounts by more than \$50,000, Board of Public Works approval will be requested for higher spending authorization.

The Contractor shall provide administration, claims processing, and other Behavioral Health benefits for State members and their dependents that participate in a PPO or POS medical plan. Currently, there are approximately 59,300 active employees, 29,100 retirees and 83,400 dependents (171,800 total covered lives) enrolled in these two medical plans that can utilize these Behavioral Health benefits. Services required include the administration of run-out claims for 15 months, incurred but not paid prior to the date of contract expiration.

APS will begin offering its plans as of July 1, 2011. However, it is necessary for the selected Contractor to participate in employee/retiree open enrollment activities beginning April 1, 2011. No payments will be made for any activities prior to July 1, 2011.

The types of treatment for mental health and substance abuse included in this contract are as follows:

- Inpatient facility and professional services;
- Partial hospitalization; and
- Outpatient facility and professional services.

The contract also provides certain Employee Assistance Program (EAP) benefits to all active employees (approximately 72,300), exclusive of benefit Program participation, who are referred to the EAP by State management personnel in the DBM Office of Personnel Services and Benefits. Employees are limited to a total of three hours of EAP counseling per occasion of referral. There is no copayment paid by the employee if the visit has been authorized by the State's EAP Unit.

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A MBE participation goal of 10% of all the administrative fees paid to the Contractor was established for this contract. APS' proposal submission commits to meeting the goal using four MDOT Certified MBEs.

FUND SOURCE: 100% Reimbursable

APPROP. CODE: Various

RESIDENT BUSINESS: Yes

MD TAX CLEARANCES: 11-0212-1111

Board of Public Works Action - The above referenced Item was:

APPROVED	DISAPPROVED	DEFERRED	WITHDRAWN
WITH DISCUSSION		WITHOUT DISCUSSION	

ITEM: 1-S (Cont.)

ATTACHMENT

BPW 3/23/2011

BIDS OR PROPOSALS (Cont.):

<u>Offerors</u>	<u>Technical Rank</u>	<u>Financial Price* (Rank)</u>	<u>Overall Rank**</u>
APS Healthcare Bethesda, Inc. Baltimore, MD	3	\$34,039,332 (1)	1
ValueOptions Inc. Norfolk, VA	2	\$37,156,293 (2)	2
Magellan Behavioral Health, Inc. Columbia, MD	1	\$39,335,306 (4)	3
Aetna, Inc. Hartford, CT	4	\$38,359,732 (3)	4
LifeSynch Irving, TX	5	\$49,406,952 (5)	5

Note: * Financial Prices were based upon a fixed rate for claims administration services and did not include projected Hospital/Facility Claims costs, since these costs are regulated by the Maryland Health Services Cost Review Commission (HSCRC).

** Technical factors had equal weight to financial factors in the overall award determination.