

Supplement B
Department Of Budget And Management
ACTION AGENDA
August 13, 2014

SERVICES CONTRACT

ITEM: 6-S **Agency Contact:** Anne Timmons
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DEPARTMENT/PROGRAM: Budget and Management (DBM)
Employee Benefits Division

CONTRACT ID: Dental Plan Administration and Insurance Services
ADPICS # F10B3400005

CONTRACT DESCRIPTION: Provide Dental Plan Administration and Insurance Services for State of Maryland employees, satellite employees, direct pay employees, retirees, and eligible dependents as part of the State of Maryland Employee and Retiree Health and Welfare Benefits Program. Awards are requested for one Dental Health Maintenance Organization fully-insured (DHMO-FI) plan and one Dental Preferred Provider Organization self-funded (DPPO-SF) plan.

AWARDS: Functional Area 1 – DHMO-FI:
Delta Dental of Pennsylvania
Mechanicsburg, PA

Functional Area 3 – DPPO-SF:
United Concordia Companies, Inc. (UCCI)
Harrisburg, PA
(Local office in Hunt Valley, MD)

TERM: 8/14/2014 – 12/31/2019

AMOUNT: \$228,726,137 Est. Total (5 Years; 4 ½ Months)

PROCUREMENT METHOD: Competitive Sealed Proposals

PROPOSALS: See page 22B

MBE PARTICIPATION: 0.2% (See Requesting Agency Remarks below)

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PERFORMANCE SECURITY: None

INCUMBENT: DPPO & DHMO:
 United Concordia Companies, Inc. (UCCI)
 Harrisburg, PA
 (Local office Hunt Valley, MD)

REQUESTING AGENCY REMARKS: A notice of the availability of the Request for Proposals (RFP) was advertised on *eMaryland Marketplace* and on DBM's website and bid board. Copies of the solicitation notice were sent directly to 58 prospective vendors, 47 of which are Maryland firms, and included 41 MBEs. A copy was also sent to the Governor's Office of Minority Affairs.

The Department of Budget and Management (DBM) is responsible for selecting dental plan coverage for approximately 250,000 State employees, satellite employees, direct pay employees, retirees, and eligible dependents.

As stated in the RFP, only two awards would be made as a result of this solicitation: one for Functional Area (FA) I, and one for either FA II or FA III. Offerors could submit proposals for one, two or all three FAs with the possibility of multiple contract awards to the same offeror or two different offerors.

A total of 21 proposals from 10 different offerors were received in response to the RFP, with most offerors proposing for multiple functional areas as follows: six proposals for FA I (DHMO-FI), seven proposals for FA II (DPPO-FI) and eight proposals for FA III (DPPO-SF). Six proposals from five offerors were deemed not to be reasonably susceptible of being selected for award and were eliminated from further consideration; two due to non-compliance with MBE submission requirements, and four due to the offerors being deemed non-responsible.

The *Award Amount* includes five years of fixed price administrative fees, plus five years of projected claims for DPPO, and fixed premiums for five years for DHMO. The financial model was based on enrollment assumptions and utilization using current enrollment levels across the various enrollment tiers (employee, employee + 1 child, employee + spouse, family).

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For FA I, Delta Dental of Pennsylvania (Delta Dental) with the second ranked technical proposal and the lowest price and was deemed to have the most advantageous offer for the State. Therefore, Delta Dental is recommended for award with an evaluated price proposal approximately 16.3% lower than the evaluated price of the next lowest-priced proposal. The proposal from the incumbent, UCCI, while ranked #1 technically, it had the highest price (ranked #5), and its proposal was deemed to not provide enough additional value to justify the 23.8% increased price versus the technical proposal from Delta Dental. By not awarding a DHMO contract to UCCI, roughly 28,640 participants currently enrolled in the UCCI DHMO may need to seek a new primary dentist.

It was determined that there were no significant differences between the technical proposals for a fully insured DPPO plan and a self-funded DPPO plan. Accordingly, an extensive analysis of the BAFOs submitted by each offeror for FAs II and III was conducted, and it was determined that it would be in the State's best interest to award a self-funded (FA III) DPPO contract over a fully-insured (FA II) DPPO for the following reasons: (1) self-funded is about \$4M lower annually based upon a lower administrative fee, the elimination of premium tax, and the elimination of margin for profit and contingencies by the awardee; and (2) the State would have ownership of all DPPO claims information. Therefore, no award is being made for FA II.

For FA III, the most advantageous proposal was received from United Concordia Companies, Inc. (UCCI), the incumbent, which was ranked overall #1 with the highest ranked technical proposal and the lowest price. Therefore, UCCI is recommended for award for the DPPO-SF. Since there is currently only one DPPO contract, there will be no disruption to current DPPO participants.

Maryland's reciprocal preference law does not apply because Pennsylvania, the state in which the recommended awardees reside, does not have an in-state preference.

Based upon the limited subcontracting opportunities, the following MBE and VSBE participation goals were established for the FAs. FA I: 0.5% - MBE and 0.05% - VSBE of premiums; and FA III: 5.0% - MBE and 0.5% - VSBE of administrative fees. For FA I, the offeror has proposed to meet the participation goals. For FA III, the offeror has proposed to exceed the MBE participation goal (5.161%) and meet the VSBE participation goal.

The Contractors will begin offering their plans as of January 1, 2015. However, it is necessary for the selected Contractors to participate in Program Open Enrollment activities beginning in August 2014. No payments will be made for any activities prior to January 1, 2015.

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FUND SOURCE: Various

APPROP. CODE: Various

RESIDENT BUSINESSES: Yes for UCCI; No for Delta Dental

MD TAX CLEARANCES: 14-1735-0110 (Delta Dental)
14-1736-0110 (UCCI)

Board of Public Works Action - This Item was:

APPROVED

DISAPPROVED

DEFERRED

WITHDRAWN

WITH DISCUSSION

WITHOUT DISCUSSION

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PROPOSALS (Cont.):

FUNCTIONAL AREA 1: DHMO FULLY INSURED [DHMO-FI]

OFFEROR	TECHNICAL RANKING	BAFO #2 FINANCIAL OFFER (RANKING) [5-YEAR EVALUATED]	OVERALL FINAL RANKING*
Delta Dental of Pennsylvania Mechanicsburg, PA	2	\$40,154,446 (1)	1
United Concordia Companies, Inc. (UCCI) Harrisburg, PA (Local office Hunt Valley, MD)	1	\$49,716,364 (5)	2
The Dental Network, Inc. Owings Mills, MD	4	\$48,471,717 (3)	3
Cigna Health & Life Insurance Company Columbia, MD	3	\$49,676,482 (4)	4
Dominion Dental Services, Inc. Alexandria, VA	5	\$46,707,418 (2)	5

FUNCTIONAL AREA 2: DPPO FULLY INSURED [DPPO-FI] – (NO AWARD MADE)

OFFEROR	TECHNICAL RANKING	BAFO #2 FINANCIAL OFFER (RANKING) [5-YEAR EVALUATED]	OVERALL FINAL RANKING*
Delta Dental of Pennsylvania Mechanicsburg, PA	2	\$196,244,813 (1)	1
United Concordia Companies, Inc. (UCCI) Harrisburg, PA (Local office Hunt Valley, MD)	1	\$200,198,054 (2)	2
CareFirst of Maryland, Inc. Owings Mills, MD	3	\$207,996,581 (3)	3
Metropolitan Life Insurance Company Bridgewater, NJ	4	\$208,428,366 (4)	4
DentaQuest Mid-Atlantic, Inc. Calverton, MD	5	\$221,349,577 (5)	5

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PROPOSALS (Cont.):

FUNCTIONAL AREA 3: DPPO SELF-FUNDED [DPPO-SF]

OFFEROR	TECHNICAL RANKING	BAFO #2 FINANCIAL OFFER (RANKING) [5-YEAR EVALUATED]	OVERALL FINAL RANKING*
United Concordia Companies, Inc. (UCCI) Harrisburg, PA (Local office Hunt Valley, MD)	1	\$183,000,917 (1)	1
Delta Dental of Pennsylvania Mechanicsburg, PA	2	\$190,225,736 (3)	2
Dominion Dental Services, Inc. Alexandria, VA	4	\$185,067,374 (2)	3
CareFirst of Maryland, Inc. Owings Mills, MD	3	\$194,051,287 (4)	4
DentaQuest Mid-Atlantic, Inc. Calverton, MD	5	\$205,699,594 (5)	5

*Note: * Technical and financial factors had equal weight in the overall award determination.*