

SERVICES CONTRACT

ITEM: 4-S **Agency Contact:** Anne Timmons
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DEPARTMENT/PROGRAM: Budget and Management (DBM)
Employee Benefits Division

CONTRACT ID: F10B8200014;
Dental Benefits Program (DHMO, DPPO)
ADPICS NOs. F10B9200022 – DHMO;
F10B8200014 – DPPO

CONTRACT DESCRIPTION: Provide Dental Plan coverage for State of Maryland employees, satellite employees, direct pay employees, retirees, and eligible dependents. Awards are requested for one Dental Health Maintenance Organization (DHMO) and one Dental Preferred Provider Organization (DPPO).

AWARDS: Functional Area 1 - DHMO:
United Concordia Companies, Inc.
(UCCI - United Concordia Dental Plans, Inc.)
Harrisburg, PA
(Local office in Hunt Valley, MD)

Functional Area 2 - DPPO:
United Concordia Companies, Inc. (UCCI – United
Concordia Life and Health Insurance Company)
Harrisburg, PA
(Local office in Hunt Valley, MD)

TERM: 3/19/2009 –6/30/2014 (5 Years; 3 ½ Months)

AMOUNTS: *Total Contract Value*
\$ 61,446,669 (DHMO)
\$125,868,729 (DPPO)
\$187,315,398 Grand Total Contract Value

Cost to the State (subsidy of 50% of premium rates)
\$ 30,723,335 (DHMO)
\$ 62,934,365 (DPPO)
\$93,657,000 Grand Total Cost to the State

PROCUREMENT METHOD: Competitive Sealed Proposals

BIDS OR PROPOSALS: See Attachments 1 & 2

MBE PARTICIPATION: 0.5% of the total premiums paid to the Contractors for both DHMO and DPPO (See Request Agency Remarks)

PERFORMANCE SECURITY: None

INCUMBENTS:

DHMO:	Dental Benefit Providers, Inc. Columbia, MD
	United Concordia Companies, Inc. Harrisburg, PA (Local office Hunt Valley, MD)
DPPO:	United Concordia Companies, Inc. Harrisburg, PA (Local office Hunt Valley, MD)

REQUESTING AGENCY REMARKS: DBM is responsible for selecting dental plan coverage for approximately 106,000 State employees, satellite employees, direct pay employees, retirees, and eligible dependents. Eleven vendors were directly solicited, eight of which have offices in Maryland. A copy of the solicitation was published on *eMarylandMarketplace.com* and on DBM's website and bid board. A copy of the solicitation was also sent to the Governor's Office of Minority Affairs.

Offerors could submit proposals for one or both functional areas. A total of twelve proposals were received encompassing both functional areas of the RFP; five for DHMO and seven for DPPO (a total of seven unique vendors). All proposals were deemed reasonably susceptible of being selected for award. The financial offer amounts in the Attachments are based on enrollment assumption models of 41,448 DHMO enrollees and 46,886 DPPO enrollees (the current DHMO and DPPO enrollment levels) across the various enrollment tiers (employee, employee + 1 Child, employee + spouse, family). The models allowed for equal comparison between vendors.

For the DHMO functional area, UCCI is recommended for award (ranked 1st technically, 1st financially, and 1st overall). Dental Benefit Providers (DBP - United Healthcare Dental) is not recommended for an award this cycle. By not awarding a DHMO contract to Dental Benefit Providers, there will be a disruption of services to roughly 13,000 participants currently enrolled in the DBP DHMO.

The decision to award only one DHMO contract is primarily due to the substantial trend over the course of the current contracts of employees migrating out of the DHMO plans (both of UCCI & DBP) into the single DPPO plan with UCCI. This trend matches dental industry trends showing a general decline in the DHMO market over the past several years. In addition, the State will

realize cost savings by awarding only one DHMO contract to the lowest-priced DHMO provider, and plan participants will benefit from lowered rates for the first four years of the new Contract.

On the DPPO side, the recommendation is to continue with only one DPPO provider, UCCI. The Employee Benefits Division does not feel the need for more than one DPPO offering, and if DPPO participants desire a dental provider that is not in the DPPO network, participants are able to go “out of network” for their dental benefits. Like the DHMO result, UCCI is judged to be the highest technically ranked DPPO offeror. Unlike the DHMO result, UCCI is ranked 3rd financially (not the lowest priced). However, by the terms of the RFP, technical factors were given greater weight than price, and UCCI was found to be the best DPPO provider and ranked #1 overall. Since there is currently only one DPPO contract, and that is with UCCI, there will be no disruption to current DPPO participants. Administratively UCCI is very good to work with and can handle any projected increase in volume that may result from the award of only one DHMO contract, as discussed above.

FUND SOURCE:	100% General (50% of premium rates)
APPROP. CODE:	Various
RESIDENT BUSINESS:	Yes for both
MD TAX CLEARANCE:	08-2579-0000 - United Concordia Dental Plans, Inc. 08-2580-0000 - United Concordia Life and Health Insurance Company

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

APPROVED	DISAPPROVED	DEFERRED	WITHDRAWN
WITH DISCUSSION		WITHOUT DISCUSSION	

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ATTACHMENT 1

BPW 3/18/2009

DHMO PROPOSALS (Cont.):

<u>Offerors</u>	<u>Technical Rank</u>	<u>Financial Rank*</u>	<u>Overall Rank**</u>
United Concordia Dental Plans, Inc. (UCCI) (Harrisburg, PA)	1	\$61,446,669 (1)	1
DentaQuest Mid-Atlantic, Inc. (Calverton, MD)	2	\$63,400,810 (2)	2
Dental Benefit Providers (United Healthcare) (Columbia, MD)	3	\$72,809,022 (5)	3
The Dental Network, Inc. (CareFirst) (Baltimore, MD)	4	\$70,891,042 (3)	4
Aetna Dental, Inc. (Sugarland, TX)	5	\$72,611,378 (4)	5

Notes:

* Financial offer amounts are based on an enrollment assumption model of 41,448 DHMO enrollees across the various enrollment tiers (employee, employee + 1 Child, employee + spouse, family).

** Technical factors were given greater weight than price factors in the overall award determinations.

ITEM: 4-S (Cont.)

ATTACHMENT 2

BPW 3/18/2009

DPPO PROPOSALS (Cont.):

<u>Offerors</u>	<u>Technical Rank</u>	<u>Financial Rank*</u>	<u>Overall Rank**</u>
United Concordia Life & Health Insurance Company (UCCI) (Harrisburg, PA)	1	\$125,868,729 (3)	1
CareFirst BlueCross BlueShield (Baltimore, MD)	3	\$117,531,856 (1)	2
Delta Dental of Pennsylvania (Mechanicsburg, PA)	2	\$123,069,434 (2)	3
Metropolitan Life Insurance Company (MetLife) (New York, NY)	4	\$132,017,310 (4)	4
Dental Benefit Providers (United Healthcare) (Columbia, MD)	6	\$139,595,517 (5)	5
Aetna Life Insurance Company (Middletown, CT)	5	\$154,744,154 (7)	6
DentaQuest Mid-Atlantic, Inc. (Calverton, MD)	7	\$142,322,613 (6)	7

Notes:

* Financial offer amounts are based on an enrollment assumption model of 46,886 DPPO enrollees across the various enrollment tiers (employee, employee + 1 Child, employee + spouse, family).

** Technical factors were given greater weight than price factors in the overall award determinations.