

SERVICES CONTRACT

ITEM: 3-S **Agency Contact:** Anne Timmons
(410) 767-4710
atimmons@dbm.state.md.us

DEPARTMENT/[PROGRAM]: Budget and Management (DBM)
Office of Personnel Services and Benefits (OPSB)
Employee Benefits Division (EBD)

CONTRACT ID: F10B82000015;
Health Maintenance Organization (HMO) Health
Care Benefits Services for Maryland State
Employees and Retirees
ADPICS NO. See Attachment 1

CONTRACT DESCRIPTION: Multiple award contract to three vendors to provide
Health Maintenance Organization (HMO) health care benefits services to State of Maryland
employees, satellite employees, direct pay employees, retirees, and eligible dependents.

AWARDS: See Attachment 1

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

AMOUNTS: See Attachment 1

PROCUREMENT METHOD: Competitive Sealed Proposals

BIDS OR PROPOSALS: See Attachment 2

MBE PARTICIPATION: 6% of Administrative Fees
(See Requesting Agency Remarks below)

PERFORMANCE SECURITY: None

INCUMBENTS: MAMSI Optimum Choice, Inc.
(d/b/a United HealthCare Insurance Co.)
Minnetonka, MN
(Local Office in Elkridge, MD)

CareFirst BlueChoice, Inc.
Owings Mills, MD

Kaiser Foundation of the Mid-Atlantic States, Inc.
Rockville, MD

REQUESTING AGENCY REMARKS: A notice of the availability of the Request For Proposals (RFP) was advertised on the *eMarylandMarketplace.com* and DBM websites. Copies of the solicitation notice were mailed directly to 10 prospective vendors, three of which were Maryland firms, and included no MBEs. A copy was also sent to the Governor's Office of Minority Affairs. There is an overall MBE goal of 6% of the total actual administrative fees established for this contract. Administrative fees do not include the claims reimbursements paid to health care providers for services rendered to State employees, retirees and dependents, etc.

The RFP allowed for the award of not more than three contracts for HMO services. Four proposals were received in response to the solicitation, one from each incumbent and Aetna Life Insurance Co. (see Attachment 2). All four offerors were deemed reasonably susceptible of being selected for award. Award is recommended to the overall ranked #1, #2 and #3 offerors, CareFirst BlueChoice, Inc., United HealthCare Ins. Co. and Aetna Life Insurance Co., respectively. Under this recommendation approximately 4,600 employees, retirees, etc. and their dependents currently enrolled with Kaiser, would need to choose either another HMO provider, or switch to the PPO or POS health plans.

The financial offer amounts in Attachment 2 are based on an enrollment assumption model of 18,806 HMO enrollees (the current HMO enrollment level) across the various enrollment tiers (individual, individual plus one, etc.). The model allowed for equal comparison between vendors.

The Award Amounts shown in Attachment 1 are estimated costs for a five-year total of fixed administrative fees, network access fees and run-out administration amounts, plus two years of estimated incurred claims. Claim amounts are based on each plan's percentage of HMO enrollment as of December 2008. Administrative fees are based upon firm-fixed unit prices established in the contract. The actual amounts paid to the contractors may be more or less than these estimated Award Amounts. (If payments amounts are projected to exceed Award Amounts by more than \$50,000, Board approval will be requested for higher spending authorization.) The actual payments to be received by any one contractor will be a function of the number of employees/retirees who elect coverage with that Contractor.

The Contractors will begin offering their plans as of 7/1/2009. However, it is necessary for selected Contractors to participate in employee/retiree open enrollment activities beginning in March 2009. No payments will be made for any activities prior to 7/1/2009.

A Self-Funded HMO functional area (Functional Area 4) was included in this RFP, in addition to the Fully-Insured HMO product (Functional Area 3) that was offered in the past. A Self-Funded HMO involves a national HMO network versus the regional network that exists with a Fully-Insured HMO plan. This Self-Funded HMO product was added both to give employees and retirees who live out of State the opportunity to participate in an HMO program, and to see if a national HMO network self-funded arrangement would offer cost savings without cutting benefits in comparison to the regional HMO network currently provided.

ITEM: 3-S (Cont.)

ATTACHMENT 1

AWARDS: (Cont.)

AMOUNTS

	<u>Claims Est.</u>	<u>Admin. Fees</u>	<u>Totals Est</u>
CareFirst BlueChoice, Inc. Washington, DC (Local office in Owings Mills, MD) ADPICS: F10B9200020 (claims) ADPICS: F10B9200021 (admin. fees) MD Tax Clearance: 09-0252-0002	\$396,000,000	\$ 19,000,000	\$415,000,000
United HealthCare Ins. Co. Minnetonka, MN (Local office in Elkridge, MD) ADPICS: F10B9200016 (claims) ADPICS: F10B9200017 (admin. fees) MD Tax Clearance: 09-0338-0010	\$299,000,000	\$16,000,000	\$315,000,000
Aetna Life Insurance Co. Hartford, CT (Local office in Linthicum, MD) ADPICS: F10B9200018 (claims) ADPICS: F10B9200019 (admin. fees) MD Tax Clearance: 09-0258-1110	\$ 94,000,000	\$ 8,000,000	\$102,000,000
Grand Total Est. (5 Years)	<u>\$789,000,000</u>	<u>\$ 43,000,000</u>	<u>\$832,000,000</u>

ITEM: 3-S (Cont)

ATTACHMENT 2

BPW 3/18/2009

BIDS OR PROPOSALS (Cont):

<u>Offerors</u>	<u>Tech. Rank</u>	<u>Financial Offer (Rank)*</u>	<u>Overall Rank</u>
United HealthCare Ins. Co. Minnetonka, MN (local office in Elkridge, MD)	1	\$327,985,697 (3)	1
CareFirst BlueChoice, Inc. Washington, DC (Local office in Owings Mills, MD)	2	\$289,537,857 (1)	2
Aetna Life Insurance Co. Hartford, CT (local office in Linthicum, MD)	3	\$306,133,047 (2)	3
Kaiser Foundation of the Mid-Atlantic States, Inc. Rockville, MD	4	\$394,817,677 (4)	4

* Note: Financial offer was for coverage of 18,806 HMO enrollees based on a model in the RFP of cumulative costs of five (5) years of administrative fees, network access fees, run-out administration amounts plus two (2) years of estimated incurred claims.