

2-S. DEPARTMENT OF BUDGET AND MANAGEMENT

***Office of Personnel Services and Benefits (OPSB)/Employee Benefits Division (EBD)
Services Contract***

Contract ID: Audit Services for State Employee and Retiree Health and Welfare Benefits Program; ADPICS # F10B6400003 (Category 1); F10B7400032 (Category 2); F10B7400033 (Category 3); F10B7400034 (Category 4)

Contract Description: Complete annual audits of the claims adjudication and payment functions, clinical functions and administrative performance of four plan service categories, noted below, in the State Employee and Retiree Health and Welfare Benefits Program (the Program).

Awards:

Categories 1 and 3:
Myers and Stauffer, LC
Baltimore, MD

Categories 2 and 4:
TMDG, LLC
Kansas City, MO
(Local office in Baltimore, MD)

Term: 1/1/2017 – 12/31/2021

Amount:

\$2,240,000 (Category 1)
\$ 342,750 (Category 2)
\$ 641,818 (Category 3)
\$ 215,000 (Category 4)
\$3,439,568 Total (5 Years)

Procurement Method: Competitive Sealed Proposals

Proposals: See page 6B

MBE Participation:

Category 1 - Medical Plans:	20%
Category 2 - Dental Plans:	15%
Category 3 - Prescription Drug Benefits Plan:	13%
Category 4 - Flexible Spending Accounts:	15%

Incumbents:

Categories 1 and 3:
Truven Health Analytics
Ann Arbor, MI

Category 2:
The Segal Company
(Eastern States), Inc.
Washington, DC

Category 4:
Claim Technology, Inc.
Des Moines, IA

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Requesting Agency Remarks: A notice of the availability of the Request for Proposals (RFP) was advertised on *eMaryland Marketplace*. Copies of the solicitation notice were sent directly to 16 prospective vendors, ten of which are Maryland firms, and included three MBEs. A copy was also sent to the Governor's Office of Minority Affairs.

Five offerors submitted proposals to the different Service Categories in response to the RFP as follows:

- Service Category 1- Medical Plans: Five proposals received;
- Service Category 2- Dental plans: Three proposals received;
- Service Category 3- Prescription Drug Benefits Plans: Four proposals received; and
- Service Category 4- Flexible Spending Accounts; Three proposals received.

The proposals received from one offeror in Service Categories 1 and 3 were determined not to be reasonably susceptible of being selected for awards due to MBE issues and were eliminated from further consideration. The proposals from the remaining four offerors were evaluated and ranked accordingly, as shown in the Proposal tables below. Technical and financial factors had equal weight in the overall award determination.

Awards are recommended to Myers and Stauffer, LC for Categories 1 and 3 and TMDG, LLC for Categories 2 and 4 as having the most advantageous offers for the State based upon the following determinations:

- Service Category 1- Medical Plans: Myers and Stauffer LC (M&S) was ranked #1 overall with the second highest ranked technical offer and the third lowest price. The highest ranked technical offeror also had the highest price. The technical differences between M&S and the #1 ranked technical offeror did not offset the 19% price difference. The lowest priced offeror was ranked lowest technically. The technical differences between M&S and the #4 ranked technical offeror were deemed to be worth the 18% difference in price. And the second lowest priced offeror was ranked third technically. The technical differences between M&S and this offeror also were deemed to be worth the 11% difference in price.
- Service Category 2- Dental Plans: TMDG, LLC was ranked overall #1 with the highest ranked technical offer and the second lowest price. The lowest priced offeror was ranked third technically. The differences between these two offerors' technical proposals were deemed to offset the 4% difference in prices.
- Service Category 3- Prescription Drug Benefits Plans: M&S was ranked overall #1 with the highest ranked technical offer and the second lowest price. The lowest priced offeror was ranked third technically. The differences between these two offerors' technical proposals were deemed to offset the 15% difference in prices.
- Service Category 4- Flexible Spending Account: TMDG, LLC was ranked overall #1 with the highest ranked technical offer and the lowest price.

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The financial offers were based upon fixed prices for milestones as stated in the RFP. The *Award Amount* includes funding for optional services as stated in the RFP: \$100,000 each for Service Categories 1 and 3 and \$40,000 each for Service Categories 2 and 4.

The Maryland State Employees and Retirees Benefits Program is responsible for administering health care and other related benefits programs for State employees and retirees, satellite agencies, Consolidated Omnibus Budget Reconciliation Act (COBRA) continuation of coverage participants and contractual employees. Included are plans for Medical, Dental, Prescription Drugs, and Flexible Spending Accounts. Standardized deductible and co-pay arrangements are in effect for these plans.

This contract provides for audit services of the State's Employee and Retiree Health Benefits Program from a clinical, administrative and operational perspective. Audits are performed in each of the four program Service Categories. Each Third Party Administrator (TPA) is subject to one yearly audit. The purpose of the audit is to:

- Ensure that the State receives the benefit of the contractual pricing arrangements with all TPA contractors;
- Ensure TPA contractor accountability for compliance with contractual requirements, including performance guarantees;
- Verify appropriate administrative procedures and control measures are in place;
- Confirm the accuracy of benefit payments to providers;
- Improve quality of service through the review of clinical processes; and,
- Ensure that State funds in connection with the program are used correctly.

The MBE participation goals established by Service Category were based upon the limited subcontracting opportunities available. In addition, a 1% VSBE participation goal was established for all Service Categories.

Fund Source: 100% Reimbursable

Appropriation Code: F10A0404

Resident Business: Yes for both

MD Tax Clearances: 16-2543-0000 (Myers and Stauffer, LC)
16-2543-0001 (TMDG, LLC)

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Category 1- Medical Plans			
Offerors	Technical Ranking	Financial Offer/Ranking	Overall Ranking
Myers and Stauffer, LC Baltimore, MD	2	\$2,140,000 (3)	1
TMDG LLC Kansas City, MO (Local office in Baltimore, MD)	1	\$2,550,000 (4)	2
Aon Consulting, Inc. Chicago, IL	3	\$1,933,916 (2)	3
Claim Technologies, Inc. Des Moines, IA	4	\$1,820,107 (1)	4

Category 2-Dental Plans			
Offerors	Technical Ranking	Financial Offer/Ranking	Overall Ranking
TMDG LLC Kansas City, MO (Local office in Baltimore, MD)	1	\$302,750 (2)	1
Claim Technologies, Inc. Des Moines, IA	3	\$290,608 (1)	2
Aon Consulting, Inc. Chicago, IL	2	\$390,163 (3)	3

Category 3- Prescription Drug Benefits Plans			
Offerors	Technical Ranking	Financial Offer/Ranking	Overall Ranking
Myers and Stauffer, LC Baltimore, MD	1	\$541,818 (2)	1
Claim Technologies, Inc. Des Moines, IA	3	\$471,282 (1)	2
Aon Consulting, Inc. Chicago, IL	2	\$1,124,472 (3)	3

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Proposals (cont'd):

Category 4-Flexible Spending Accounts			
Offerors	Technical Ranking	Financial Offer/Ranking	Overall Ranking
TMDG LLC Kansas City, MO (Local office in Baltimore, MD)	1	\$175,000 (1)	1
Claim Technologies, Inc. Des Moines, IA	2	\$248,699 (2)	2
Aon Consulting, Inc. Chicago, IL	3	\$300,193 (3)	3

BOARD OF PUBLIC WORKS ACTION – THIS ITEM WAS:

APPROVED

DISAPPROVED

DEFERRED

WITHDRAWN

WITH DISCUSSION

WITHOUT DISCUSSION