

**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 NO. & TITLE:** F10B8200015;  
Preferred Provider Organization (PPO) Health Care  
Benefits Services for Maryland State Employees  
and Retirees  
ADPICS NO. See Attachment 1

**CONTRACT DESCRIPTION:** Multiple award contract to two vendors to provide Preferred Provider Organization (PPO) health care benefits to State of Maryland employees, satellite employees, direct pay employees, retirees, and eligible dependents.

**AWARDS:** CareFirst of Maryland, Inc. (CareFirst)  
Owings Mills, MD  
  
United HealthCare Insurance Co. (UHC)  
Minnetonka, MN  
(Local office in Elkridge, MD)

**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 BOND:** None

**INCUMBENTS:** Same

**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 notice were mailed directly to ten 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 two contracts for PPO services. Three proposals were received in response to the solicitation, one from each incumbent (see Attachment 2) and Aetna Life Insurance Co. (ALIC). All three were deemed reasonably susceptible of being selected for award. Award is recommended to the overall ranked #1 and #2 offerors, CareFirst of Maryland, Inc. (CareFirst) and United HealthCare Insurance Co. (UHC), respectively.

The financial offer amounts in Attachment 2 are based on an enrollment assumption model of 57,321 PPO enrollees (the current PPO 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 PPO 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 the 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.

<b>FUND SOURCE:</b>	Various
<b>APPROP. CODE:</b>	F10A0240
<b>RESIDENT BUSINESS:</b>	Yes for both
<b>MD TAX CLEARANCE:</b>	Attachment 1

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

APPROVED	DISAPPROVED	DEFERRED	WITHDRAWN
WITH DISCUSSION		WITHOUT DISCUSSION	

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ATTACHMENT 1

4B  
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AWARDS (Cont.)

AMOUNTS (Cont.)

	<u>Claims Est.</u>	<u>Admin. Fees</u>	<u>Totals Est.</u>
CareFirst of Maryland, Inc. Owings Mills, MD ADPICS: F10B8200015 (claims) ADPICS: F10B9200007 (admin. fees) MD Tax Clearance: 09-0251-1112	\$2,284,000,000	\$ 96,000,000	\$2,380,000,000
United HealthCare Insurance Co. Minnetonka, MN (Local office in Elkridge, MD) ADPICS: F10B9200008 (claims) ADPICS: F10B9200009 (admin. fees) MD Tax Clearance: 09-0338-0010	\$ 185,000,000	\$ 11,000,000	\$ 196,000,000
Grand Total Est. (5 Years)	<u>\$2,469,000,000</u>	<u>\$ 107,000,000</u>	<u>\$2,576,000,000</u>

ITEM: 1-S (Cont.)

## ATTACHMENT 2

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**BIDS OR PROPOSALS (Cont):**

<u>Offeror</u>	<u>Tech. Rank</u>	<u>Financial Offer (Rank)*</u>	<u>Overall Rank</u>
CareFirst of Maryland, Inc. Owings Mills, MD	1	\$957,734,758 (2)	1
United HealthCare Ins. Co. Minnetonka, MN (local office in Elkridge, MD)	2	\$899,989,881 (1)	2
Aetna Life Insurance Co. Hartford, CT (local office in Linthicum, MD)	3	\$1,015,157,419 (3)	3

Note: Financial offer was for coverage of the current 57,321 PPO 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.