

**DEPARTMENT OF BUDGET AND MANAGEMENT  
ACTION AGENDA**

**SERVICES CONTRACT**

**ITEM:** 2-S **Agency Contact:** Anne Timmons (410) 767-410  
atimmons@dbm.state.md.us

**DEPARTMENT/PROGRAM:** Budget and Management (DBM)  
Office of Personnel Services and Benefits,  
Employee Benefits

**CONTRACT ID:** F10B7200043;  
Audit Services for State Employees and Retiree  
Benefits Program  
ADPICS NO. F10B7200043

**CONTRACT DESCRIPTION:** Complete annual audits of the claims adjudication and payment functions, clinical functions, and administrative performance of five plans in the State Employee/Retiree Health and Welfare Benefits Program: Medical Benefits Plans, Dental Benefits Plans, Mental Health/Substance Abuse Benefits Plan, Prescription Drug Benefits Plan, and Flexible Spending Accounts. (See Requesting Agency Remarks below).

**AWARD:** Healthcare Data Management, Inc. (HDM)  
King of Prussia, PA

**TERM:** 4/19/2007 - 7/31/2011 (see Requesting Agency  
Remarks below)

**AMOUNT:** \$3,400,000 Est. (4 Years, 3.4 months; see  
Requesting Agency Remarks below)

**PROCUREMENT METHOD:** Competitive Sealed Proposals

**PROPOSALS:** See Attachment

**MBE PARTICIPATION:** 20% for Medical Benefits Audits  
10% for Dental Benefits Audits  
15% for Mental Health/Substance Abuse Audits  
15% for Prescription Drug Benefits Audits  
5% for Flexible Spending Accounts Audits  
(See Requesting Agency Remarks below)

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**ITEM:** 2-S (Cont)

**PERFORMANCE SECURITY:** None

**INCUMBENT:** William M. Mercer, Inc.  
Glen Allen, VA

**REQUESTING AGENCY REMARKS:** A notice of the availability of the Request for Proposals (RFP) was advertised on the website *eMarylandMarketplace.com*, and on DBM's website. In addition, a *Notice of Availability* describing the RFP was e-mailed directly to 28 prospective vendors, 11 of which were Maryland firms and 8 of which were MBEs. A copy was also sent to the Governor's Office of Minority Affairs.

Eighteen proposals were received (five for Medical Benefits audits, three for Dental Benefits audits, four for Mental Health/Substance Abuse audits and three each for Prescription Drug Benefits audits and Flexible Spending Accounts audits) and all were deemed reasonably susceptible of being selected for award (see Attachment).

The RFP provided for the possibility of multiple contract awards; one for each category. For Medical Benefits Plans, HDM was the third technically ranked Offeror and second in price, and the Evaluation Committee and Procurement Officer determined HDM had the most advantageous offer. For the other four categories of audits, HDM was third technically and first in price. The Evaluation Committee and Procurement Officer recommend HDM for award based on having the most advantageous offers in those four categories. HDM's technical response illustrated a thorough understanding of the State's work requirements. Moreover, HDM demonstrated experience in benefits audits and proposed a strong audit team.

The MBE goals were determined based on a combination of researching opportunity for subcontracting and historical performance on meeting MBE goals under the old contract. The goals are 5% higher than in the old contract except for Flexible Spending Accounts audits which is the same.

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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 and Prescription Drugs.

Standardized deductible and co-pay arrangements are in effect for these plans. Total benefits costs for FY 2007 is expected to be approximately \$981 million, of which \$288.4 million is for the Prescription Drug Plan, inclusive of premium, administrative, capitated and claims payments. This contract provides for audit services to the State's Employee and Retiree Health Program from a clinical, administrative and operational perspective.

The Contractor, in fulfilling its contract responsibilities for the State Plan, will audit all medical, dental, prescription, flexible spending account, and mental health programs beginning with the short plan year of 1/1/2005 – 6/30/2005 and each fiscal year thereafter for the duration of the contract. The second plan year (FY 2006) covered is 7/1/2005 – 6/30/2006. Annual audits thereafter, to occur during contract periods two through five, will cover a twelve-month period, i.e., the benefit plan year 7/1 – 6/30, following the last audited plan year.

The audits will include administrative/operational procedures, claims, performance guarantees, compliance with contract terms (including negotiated rates and fees), and a review of the vendor's internal audits. Included in these audits will be a review of the adequacy of the internal programs and assurance that all applicable credits have been applied to the State's accounts. Under the prescription audit a review of retail pharmacy contracts, data management, and pharmaceutical manufacturer contracts will be included to assure pass-through pricing, rebates and discounts.

**FUND SOURCE:** 100% Reimb. (See Requesting Agency Remarks)

**APPROP. CODE:** F10A0404

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**ITEM:** 2-S (Cont)

**RESIDENT BUSINESS:** No

**MD TAX CLEARANCE:** 07-0800-0000

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

APPROVED	DISAPPROVED	DEFERRED	WITHDRAWN
WITH DISCUSSION		WITHOUT DISCUSSION	

ITEM: 2-S (Cont)

ATTACHMENT

BPW 4/18/2007

**BIDS OR PROPOSALS (Cont):****Medical Benefits Plans**

<u>Offeror</u>	<u>Tech. Rank</u>	<u>Financial Offer (Rank)*</u>	<u>Overall Rank</u>
Healthcare Data Management, Inc. King of Prussia, PA	3	\$1,961,136 (2)	1
Clifton Gunderson, LLP Timonium, MD	4	\$1,999,200 (3)	2
Segal Washington, DC	2	\$2,622,600 (4)	3
Mercer Richmond, VA	1	\$2,715,675 (5)	4
Benefit Plan Audit Services Los Angeles, CA	5	\$1,551,825 (1)	5

\*Note: The financial offer was based upon a model in the RFP for evaluation purposes.

**Dental Benefit Plans**

<u>Offeror</u>	<u>Tech. Rank</u>	<u>Financial Offer (Rank)*</u>	<u>Overall Rank</u>
Healthcare Data Management, Inc. King of Prussia, PA	3	\$275,168 (1)	1
Mercer Richmond, VA	1	\$420,750 (2)	2
Segal Washington, DC	2	\$490,750 (3)	3

\*Note: The financial offer was based upon a model in the RFP for evaluation purposes.

ITEM: 2-S (Cont) ATTACHMENT

BPW 4/18/2007

**BIDS OR PROPOSALS (Cont):****Mental Health/Substance Abuse Benefits Plan**

<u>Offeror</u>	<u>Tech. Rank</u>	<u>Financial Offer (Rank)*</u>	<u>Overall Rank</u>
Healthcare Data Management, Inc. King of Prussia, PA	3	\$313,540 (1)	1
Clifton Gunderson, LLP Timonium, MD	4	\$352,625 (2)	2
Segal Washington, DC	2	\$577,050 (3)	3
Mercer Richmond, VA	1	\$631,175 (4)	4

\*Note: The financial offer was based upon a model in the RFP for evaluation purposes.

**Prescription Drugs Benefits Plans**

<u>Offeror</u>	<u>Tech. Rank</u>	<u>Financial Offer (Rank)*</u>	<u>Overall Rank</u>
Healthcare Data Management, Inc. King of Prussia, PA	3	\$414,461 (1)	1
Mercer Richmond, VA	2	\$450,175 (2)	2
Segal Washington, DC	1	\$490,750 (3)	3

\*Note: The financial offer was based upon a model in the RFP for evaluation purposes.

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ATTACHMENT

BPW 4/18/2007

**BIDS OR PROPOSALS (Cont):****Flexible Spending Accounts**

<u>Offeror</u>	<u>Tech. Rank</u>	<u>Financial Offer (Rank)*</u>	<u>Overall Rank</u>
Healthcare Data Management, Inc. King of Prussia, PA	3	\$275,169 (1)	1
Mercer Richmond, VA	1	\$332,175 (2)	2
Segal Washington, DC	2	\$350,800 (3)	3

\*Note: The financial offer was based upon a model in the RFP for evaluation purposes.