



COUNTY OF SAN MATEO
Inter-Departmental Correspondence
Human Resources



Date: May 23, 2016
Board Meeting Date: June 28, 2016
Special Notice / Hearing: None
Vote Required: Majority

To: Honorable Board of Supervisors

From: Donna Vaillancourt, Human Resources Director

Subject: Dental Plan Agreements with Cigna and Delta Dental of California

RECOMMENDATION:

Adopt a resolution authorizing the Human Resources Director or the Director's designee to execute agreements with Cigna and Delta Dental of California, for the term of January 1, 2017 to December 31, 2021, with the aggregate amount not to exceed \$843,000 annually.

BACKGROUND:

In total, 5,350 employees and retirees (plus their eligible dependents) are enrolled in the dental preferred provider organization (DPPO) plan, and 1,374 employees and retirees (plus their eligible dependents) are enrolled in one of the dental health maintenance organization (DHMO) plans. The entire dental program covers 14,602 lives.

The County's current providers for its dental program include Blue Shield, Delta Dental of California and United Healthcare.

CURRENT PROVIDERS	DPPO/DHMO	ACTIVE EMPLOYEES	RETIREES
Blue Shield of California	DPPO (2 plans)	X	X
Delta Dental of California	DHMO	X	X
United Healthcare	DHMO (2 plans)		X

The current agreements with all providers expire on December 31, 2016. The Human Resources Department conducted a request for proposals (RFP) in partnership with the labor-management Benefits Committee and the County's consultant, Alliant Benefits Consulting. The recommendations in the memorandum reflect the consensus of all members of the RFP selection committee.

Note that the RFP was applied to the DPPO administration (including claims administration and provider network) and to the DHMO fully-insured plan. The RFP did

not apply to the DPPO claims, which is the largest cost component of the dental program. As do many large employers, the County self-insures its dental claims.

DISCUSSION:

Proposals were solicited from 10 national carriers that could offer provider networks to meet our plan participants' diverse geographic needs. Eight proposals were received with varying levels of responsiveness. By consensus, the selection committee agreed on four interview finalists.

Each finalist was rated on the following criteria—individually and in the aggregate—during the finalist process:

- Provider network (and disruption to existing patient-dentist relationships)
- Pricing and rate guarantees
- Service and performance guarantees

Based on these criteria, the selection committee unanimously recommends approval of Cigna as the provider for the DPPO plan and Delta Dental of California for the DHMO plan. The dental program would be simplified from three carriers to two carriers (Cigna and Delta Dental), and from five plan designs to two plan designs.

The primary reasons for selecting Cigna over the other three finalists for the DPPO plan include the following:

- Whereas 55% of our plan participants' dental providers are in the current Blue Shield network, 82% of the same providers are in the Cigna network. That means our participants will receive discounts from another 27% of their current providers. For the remaining 18%, Cigna will recruit those providers and offer performance guarantees for increasing the network size.
- Beyond the dental providers that our employees currently use, Cigna has a much broader provider network. In San Mateo County alone, Cigna has 883 PPO providers compared to Blue Shield's 383 PPO providers, giving our participants many more options for finding discounted network providers.
- The monthly administrative fee will drop from Blue Shield's current rate of \$5.31/employee/month (PEPM) to Cigna's \$2.75 PEPM, a decrease of 48% that will save the plan \$156,887 per year. Cigna's rate is guaranteed for three years.

The primary reasons for selecting Delta Dental of California over the other three finalists for the DHMO plan include the following:

- Staying with Delta Dental means that all participants can remain with their current DHMO providers.
- Delta Dental's monthly premium will remain the same as today's rate (composite of \$44.97 per employee per month and is guaranteed for five years.
- Though other finalist proposals were lower in premium costs, copays would have been higher.

- The Delta Dental DHMO network is the largest of the finalists. Delta Dental has 65 network dental offices in San Mateo County (SMC) while the next largest provider has 18 network dental offices in SMC. This is very important in the DHMO plan as participants must go to network dentists; there are no out-of-network options.

Upon approval by the Board of Supervisors, the transition to Cigna for the DPPO plan will begin. Current Blue Shield dental enrollees will be automatically migrated to Cigna effective January 1, 2017 unless they choose to switch to Delta Dental's DHMO plan during the annual open enrollment period in October/November.

No transition will be necessary for the Delta Dental DHMO plan.

The accompanying resolution contains the County's standard provisions allowing amendments of the County's fiscal obligations by a maximum of \$25,000 (in aggregate).

The resolution and agreement have been reviewed and approved by County Counsel as to form.

Approval of this agreement contributes to Shared Vision 2025 of a Healthy Community.

PERFORMANCE MEASURE(S):

Measure	FY 2015-16 Actual	FY 2016-17 Projected
DPPO—Network Providers in San Mateo County	383	883
DPPO—Percentage of Participants Whose Providers Are In-Network	55%	82%
DHMO—Participating Access Points (dental offices) in San Mateo County	65	65

FISCAL IMPACT:

The pre-RFP estimated costs for the DPPO administration and DHMO premiums was 2017 dental program expenses was \$999,000 for active employees. (Retirees are excluded from this estimate as their costs are either paid by the retiree or through their sick leave credits.)

If these recommendations are approved, the 2017 total costs would be estimated at \$843,000, a savings of \$156,000 or 15.6%. This decrease consists of the following:

- Claims administration costs would decrease by \$156,000, from \$325,000 to \$169,000, based on Cigna's lower pricing.
- The DHMO costs would remain the same at \$674,000 by retaining Delta Dental with the same plan and the same pricing.

The County self-insures its claims, and those costs are independent of the RFP. The 2017 annual claims costs are estimated to be \$6.6 million.

Exhibit A
Request for Proposal Matrix

1.	General Description of RFP	To subject the current dental program (with its existing eligibility rules and plan designs) to the competitive marketplace
2.	List key evaluation criteria	<ul style="list-style-type: none"> • Pricing and rate guarantees • Provider network • Service and performance guarantees
3.	Where advertised	The RFP was distributed by Alliant Benefits Consulting, the County's employee benefits broker, to 10 nation-wide companies with the capacity to accommodate the size of the County account
4.	In addition to any advertisement, list others to whom RFP was sent	N/A
5.	Total number of RFP's sent to prospective proposers	10
6.	Number of proposals received	8
7.	Who evaluated the proposals	<p>Human Resources</p> <ul style="list-style-type: none"> • Theresa Rabe • Lisa Okada • Ann Parada • Jay Castellano <p>Benefits Committee</p> <ul style="list-style-type: none"> • Elizabeth Kimmel, Service Employees International Union • Julian Venci, American Federation of State, County and Municipal Employees <p>Alliant Benefits Consulting</p>
8.	In alphabetical order, names of proposers (or finalists, if applicable) and location	<ul style="list-style-type: none"> • Anthem Blue Cross • Blue Shield of California • Cigna • Delta Dental of California