

COUNTY OF MILWAUKEE
DEPARTMENT OF HUMAN RESOURCES
INTER-OFFICE COMMUNICATION

DATE : November 2, 2012

To : Chairwoman Marina Dimitrijevic, County Board of Supervisors

FROM : Matthew Hanchek, Benefits Administrator – Department of Human Resources

SUBJECT: **Report from the Benefits Administrator, Department of Human Resources, requesting authorization for a 3-year contract for dental administrative services.**

Issue/Background

The current contract with Humana Dental expires on December 31, 2012. Although initially only a 3-year term, this contract has been renewed numerous times with board approval and has not been subject to a request for proposal (RFP) process in more than seven years. To ensure Milwaukee County continues to receive the highest quality services and competitive rates a RFP for self-funded dental administrative services was issued.

The RFP was developed and coordinated by Milwaukee County's Health Benefits Consultant, Willis of Wisconsin under the guidance of chapter 56.30 of the Milwaukee County code of ordinances. Bidders are also required to comply with the disadvantaged business enterprise (DBE) policy defined in CFR 49 Part 23 and 26 and Chapter 42 of the Milwaukee County Ordinances.

Willis presented all of the RFP responses, including financial analysis, to a review panel including representatives from DHR-Employee Benefits, DAS – Fiscal, and County Board Staff. The panel reached unanimous consensus that the proposal by Delta Dental of Wisconsin was the strongest bid.

Delta Dental

Delta Dental of Wisconsin is a not-for-profit independent affiliate of Delta Dental Plans Association. They are headquartered in Stevens Point, WI with offices in Milwaukee and Madison. All claims processing and customer service functions will be performed at the Stevens Point location.

Delta Dental of Wisconsin currently serves over 4,300 clients with an excess of 1.5 million covered lives. They have significant experience providing dental services to public sector clients, including 25 county clients.

Disadvantaged Business Enterprise (DBE)

Delta Dental is committed to achieving the stated DBE goal of 17% of fees. Based on current enrollment, that goal amount would be \$9,039 annually.

Delta Dental initially identified Chamberlain Consulting Group, a certified Wisconsin DBE firm which they have utilized for other projects, to meet the requirements of this contract. However, since submitting their contract proposal, Chamberlain Consulting Group has gone out of business.

Delta Dental has completed a statement of good faith effort committing to the 17% goal and is working with the Community Business Development Partners to vet firms and identify opportunities to work with DBE and SBE firms. Delta Dental has tentatively identified a local DBE firm, Tri State Office Products, and are completing due diligence for a contract to fulfill the annual goal.

Financial Comparison of Bids

The proposed administrative fees by Delta Dental of Wisconsin were the lowest at \$53,170.80 (based on current enrollment), although the difference in administrative cost was marginal between all bids. The proposed fees would be guaranteed for the entire 3-year term. An analysis by Willis of claims cost, network coverage and provider discounts demonstrated no material difference between the incumbent, Humana Dental, and the bid by Delta Dental. On average, the other bids were approximately \$70,000 higher in total annual costs.

While the difference in County cost between the top two bids was negligible, the bid from Delta Dental provided superior financial protection to Milwaukee County employees due to its significantly broader provider network (91% of claims versus 54%). This limits the potential for above Reasonable and Customary charges being billed to the employee by out-of-network providers.

Requested Board Action

Based on the recommendations of the review panel, the Benefits Administrator, Department of Human Resources is seeking approval to execute a 3-yr contract with Delta Dental of WI for dental administrative services.

Cc: County Executive Chris Abele
Supervisor Willie Johnson, Co-chair, Finance, Personnel, and Audit Committee
Supervisor David Cullen, Co-chair, Finance, Personnel, and Audit Committee
Amber Moreen, Chief of Staff, County Executive's Office
Patrick Farley, Director of Administrative Services
Scott Manske, Comptroller
Kimberly Walker, Corporation Counsel
Kerry Mitchell, Executive Director of Human Resources
Steve Cady, Fiscal and Budget Analyst, County Board
Carol Mueller, Committee Clerk