



COUNTY OF SAN MATEO
Inter-Departmental Correspondence
Human Resources Department

DATE: September 13, 2009
BOARD MEETING DATE: September 29, 2009
SPECIAL NOTICE/HEARING: None
VOTE REQUIRED: Majority

TO: Honorable Board of Supervisors

FROM: Donna Vaillancourt, Human Resources Director
Peter Bassett, Benefits Manager

SUBJECT: Agreement with Delta Dental of California

RECOMMENDATION:

Adopt a resolution:

- 1) Waiving the Request for Proposal process;
- 2) Authorizing the Human Resources Director to renew coverage with Delta Dental of California to provide dental health maintenance organization benefits to employees and retirees by entering into a new Agreement for the period from October 1, 2009 through December 31, 2012, with the aggregate Agreement amount not to exceed \$1,980,000; and
- 3) Authorizing the Human Resources Director or the Director's designee to execute amendments to the Agreement which modify the County's maximum fiscal obligation by no more than \$25,000 (in aggregate), and/or modify the Agreement term and/or services so long as the modified term or services is/are within the current or revised fiscal provisions.

BACKGROUND:

The County offers two dental plans to employees and retirees. One is a self-insured preferred provider organization (PPO) that is administered by Blue Shield. The second is a dental health maintenance organization (DHMO) plan that is administered by Delta Dental of California ("Delta"). A total of 4,275 employees are covered under the Blue Shield dental plan and 1,353 employees are covered under the Delta plan.

Delta was selected to provide DHMO benefits to the County through a Request for Proposal process in 1999. The County renewed its coverage with Delta in 2003 and again in 2006. The County's current Agreement with Delta expires on September 30, 2009.



DISCUSSION:

Through this Agreement, Delta has agreed to continue offering the same dental benefits for employees and retirees that it currently offers with no rate increases through December 31, 2012. The composite premium rate remains at \$40.64 per employee per month.

The County is already planning to convene a labor-management committee to conduct a request for proposals for the County's Self-Funded PPO dental plan in 2010 for coverage beginning in 2012 and believes it would be beneficial to release a single RFP for both the self-funded PPO and fully-insured DHMO dental plans because: 1) a single provider may be able to administer both plans and having a single carrier would provide streamlined administration and should result in lower costs; and 2) the evaluation of both plans together will result in pricing and administration efficiencies, underwriting uniformity to mitigate adverse selection, and network selection considerations.

Based on the foregoing, as well as Delta's past performance and the financial incentives that Delta is offering by agreeing not to increase its rates, the Human Resources Department believes that it is in the County's best interests that Delta continue as the provider for the DHMO plan through December 31, 2012 without undertaking the request for proposal process at this time.

County Counsel has reviewed and approved the Resolution and Agreement as to form.

Approval of this Agreement contributes to Shared Vision 2025 of a Prosperous Community by providing cost-effective dental plans to County employees resulting in a healthy and productive workforce.

Performance Measures:

Measure	2008 Actual	2009 Projected
Calls to Delta's Customer Service Department are answered within 30 seconds	91.5%	92%
Specialty care pre-authorizations are processed within 10 days	99.8%	100%
Annual turnover of contract dentists	2.2%	2%

FISCAL IMPACT:

There is no additional net County cost associated with this Agreement. The County and employees share the \$40.64 monthly premium cost, with the County paying 90% of the premium and employees paying 10%. The estimated annual cost to the County is \$660,000 per year. The estimated annual cost to employees is \$66,000 per year.