

THE STATE OF
WEST VIRGINIA
BUREAU FOR MEDICAL SERVICES



***Healthcare
simplified.***

Medicaid Management Information System (MMIS) Re-procurement
Request for Proposal MED13006 • June 21, 2012 1:30 P.M.
Cost Proposal

Statement of Confidentiality

The descriptive materials and related information in this proposal contain information that is confidential and proprietary to HP Enterprise Services, LLC (HPES). We submit this information with the express understanding that in accordance with West Virginia's Freedom of Information Act (FOIA), it will be held in strict confidence and will not be disclosed, duplicated, or used, in whole or in part, for any purpose other than evaluation of this proposal and without express written permission from HPES. To the fullest extent allowed under applicable federal or State law, HPES requests that certain of the descriptive materials and related information in this proposal that contain information that is considered proprietary, trade secret, or confidential by HPES and for which the release, use, or distribution to organizations other than the State and its designees would subject HPES to harm and the loss of competitive advantage. The pages that contain proprietary information are marked as follows: "HPES Confidential – Use Subject to Restriction." The following table details the material HPES considers confidential.

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4.1.14 Cost Summary

RFP Reference: 4.1.14 Cost Summary

HP Enterprise Services, LLC (HPES) is pleased to submit our pricing proposal to the State of West Virginia Bureau for Medical Services (BMS) in response to the Request for Proposal (RFP) MED 13006. This section highlights specific areas within our cost proposal bid sheets to facilitate BMS' full understanding of our cost proposal. We understand that all amendments, modifications, alterations or changes to the scope of work in the contract will need to be in writing and signed by both parties and that no changes may be made on services provided without the express written approval of BMS.

4.1.14.1 Phase 1 MMIS Replacement DDI Costs

HPES' proposed cost for BMS is all-inclusive and includes general and administrative resources and travel expenses. We built our Design, Development, and Implementation (DDI) plan from a baseline of three successful implementations of similar size and scope—Wisconsin, Florida, and Georgia. Using the baseline generated from these implementations, we adjusted for scope differences between the baseline and West Virginia's requirements with a progressive focus on the Centers for Medicare & Medicaid Services (CMS) Seven Standards and Conditions (7SC) and the emerging Medicaid Information Technology Architecture (MITA) 3.0 requirements.

West Virginia will benefit from our upfront planning and the effort included in our bid cost to customize our proposed transfer system to be specific to West Virginia requirements. In some cases, although the baseline has the capability, it still requires effort to customize for West Virginia. BMS will not see these as scope requests from HPES. We include in our work plan effort the scope differences we identified in our detailed gap and forward-looking features based on healthcare reform for the transformation of the Wisconsin interChange system into the proposed West Virginia interChange (WV-iC). Based on nine successful and fully CMS-certified interChange implementations since 2007 and the superior quality of our base transfer system, HPES is confident that the proposed 30-month implementation will deliver a high-quality, fully functional MMIS to West Virginia.

4.1.14.2 Phases 2a and 2b, and Phase 3 (Routine Fiscal Agent Operations, CMS Certification, Close-Out, and Turnover) Costs

In arriving at our pricing for ongoing operations, we reviewed the current claim volumes and membership levels by program as BMS provided in the RFP and procurement library. We also estimated operations costs for Year 1 and Year 2 at zero and assume a full year of operating costs beginning Year 3. We applied our production and productivity metrics from multiple stable functioning accounts to arrive at the staffing levels to meet the requirements at the indicated volumes and develop the proposed per member per month (PMPM) rates. Although not an RFP requirement, HPES includes additional technical personnel the first three months of fiscal agent operations (Phase 3) to address DDI defects identified immediately following implementation or that BMS deemed lower priority during DDI and did not impact the decision to proceed to the Operations Phase. This is another best practice we offer to enable BMS to direct the full attention of the Modifications and Enhancements team to new or enhanced program functions.

We built our PMPM rates directly on the total member count and the mix of fee for service (FFS) and managed care organization (MCO) as indicated within the cost bid sheets. While HPES understands that we may bill for the actual member counts, if the mix of FFS and MCO members (percentage relative to total) deviates greater than 10 percent, we would consider this a significant enough change to merit a re-evaluation of our expenses under change control. Additionally, we acknowledge our responsibility for supporting eligibility and claim processing for carved out services. As documented in the RFP, we do not include postage costs and will consider them as a pass-through reimbursement.

4.1.14.3 Phase 2c MMIS Modifications and Enhancements Costs

HPES proposes a composite billing rate for up to 25,000 hours of modifications and enhancements to the MMIS during each operational and optional year exercised by the Bureau. We built our hourly rates on an appropriate mix of staff members to meet the requirements for the modifications and enhancements to the MMIS. As documented in the RFP, we will maintain the separate pool of \$50,000 per year for services that translate to costs rather than hours, such as equipment, hardware, and additional commercial off-the-shelf (COTS) licenses. The use of these funds would be approved by BMS through the change control process, in the same way it approves the hours used for modification and enhancements.

4.1.14.4 Drug Rebate Optional Services Costs

We base the rates for the drug rebate optional services (program management and accounts receivable) on the scope of services as being similar to those provided in our other MMIS fiscal agent accounts and propose a composite billing rate for staffing

optional drug rebate services. Per Addendum 1, we understand that BMS will consider these costs in the cost bid evaluation scoring, and these costs are to be included in the Total Not to Exceed Cost of Contract within the Cost Summary Bid sheet.

4.1.14.5 Total Not to Exceed Cost of Contract

The total cost includes DDI, operations, and hourly rate services and includes optional drug rebate services. Additionally, our cost includes direct and indirect costs such as administrative, travel, training, and out-of-pocket expenses necessary to perform the RFP-mandated services. To be successful and deliver a smooth transition to your new WV-iC MMIS, HPES is bidding a 30-month implementation based on our experience. Our PMPM for Year 3 reflects a full year of operational expenses, modification hours, and the optional drug rebate services as instructed by the bid cost sheet instruction. Our PMPM rates for Year 3 on the cost summary bid sheet assume that we address the modifications—including system deficiencies and enhancements—with the contractually required 25,000 pool hours.

HPES includes a separate HPES Calculated Total Not to Exceed Cost of Contract. We have included this Not to Exceed calculation because of the differential between the Cost Summary Bid Sheet value placed within the evaluated Total Not to Exceed Cost of Contract field and the HPES-calculated Total Not to Exceed Cost of Contract. This differential is because of the manner in which BMS has requested completion of the Cost Summary Bid Sheet.

HPES has proposed a 30-month DDI and a stabilization period of three months between months 31 and 33. This “Stabilization” Level of Effort is consistent with our HPES best practices and experience from the nine successful implementations HPES has delivered since 2007. This effort verifies that technical staff members we use during DDI are available to support WV-iC during the first three months of operations and progressively rolled off across the three-month transition. This stabilization period and effort has proven to be critical to the success of implementation and initial operations.

The HPES calculation of the Total Not to Exceed Cost of Contract deviates from the value placed in the evaluated Total Not to Exceed Cost of Contract for the following reasons:

- The Cost Summary Bid sheet assumes a 24-month DDI. HPES proposes a 30-month DDI; therefore, the HPES-calculated Total Not to Exceed Cost of Contract reflects costs for six months of operations during Year 3.
- We include stabilization level of effort during months 31 – 33 and the 25,000-hour modification pool hours for Year 3.

The HPES-calculated Total Not to Exceed Cost of Contract is \$305,527,976.





ATTACHMENT I: COST SUMMARY BID SHEET

Phase 1 Costs (Phase 1. MMIS Replacement DDI)					
Item		Total			
Total Phase 1 Costs (See Appendix C: Deliverables, Milestones and Payments)		\$ 74,560,752			
Phases 2a and 2b, and Phase 3 Costs (Phase 2a. Routine Fiscal Agent Operations; Phase 2b. CMS Certification; Phase 3. Close-Out and Turnover)					
Period	Estimated FFS Member Months	Estimated MCO Member Months	FFS PMPM Fee ¹	MCO PMPM Fee ¹	Total ²
Year 1 ³	172,477	165,853	NA ³	NA ³	NA ³
Year 2 ³	162,097	178,318	NA ³	NA ³	NA ³
Year 3 ³	174,545	213,255	\$ 6.24	\$ 4.18	\$ 23,752,909
Year 4	229,765	215,269	\$ 4.24	\$ 3.71	\$ 21,278,235
Year 5	231,419	217,313	\$ 4.24	\$ 3.69	\$ 21,403,962
Year 6	233,063	219,389	\$ 4.06	\$ 3.53	\$ 20,628,664
Year 7	234,696	221,496	\$ 4.01	\$ 3.48	\$ 20,538,484
Year 8	236,316	223,636	\$ 4.02	\$ 3.47	\$ 20,714,829
Year 9	237,925	225,808	\$ 4.03	\$ 3.48	\$ 20,936,449
Year 10	239,546	228,014	\$ 4.09	\$ 3.52	\$ 21,387,929
Contingency Year 1	241,177	230,254	\$ 4.16	\$ 3.56	\$ 21,870,282
Contingency Year 2	242,820	232,528	\$ 4.21	\$ 3.60	\$ 22,293,701
Total Phases 2a, 2b, & 3 Costs (Sum of Years 1 through 10 Totals + Contingency Years 1 and 2 Totals)	\$ 214,805,445				

¹ Vendors are required to submit the PMPM rate in the FFS PMPM Fee and MCO PMPM Fee columns.

² Yearly Total calculated as follows:
(Estimated FFS Member Months * FFS PMPM Fee * 12) + (Estimated MCO Member Months * MCO PMPM Fee * 12)

³ For purposes of proposal and evaluation, all vendors should estimate operations costs for Year 1 and Year 2 at zero dollars (\$0). In order to provide consistent evaluation of all cost bids, vendors should also assume a full year of operating cost beginning at Year 3.



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Phase 2c Costs <i>(Phase 2c. MMIS Modifications and Enhancements)</i>			
Period	(A) All Inclusive Hourly Rate	(B) Maximum Hours	(C) Total <i>(Column A * Column B)</i>
Year 1	\$ _____ / hr		N/A
Year 2	\$ _____ / hr		N/A
Year 3	\$ <u>82.99</u> / hr	25,000	\$ 2,074,639
Year 4	\$ <u>84.90</u> / hr	25,000	\$ 2,122,403
Year 5	\$ <u>86.85</u> / hr	25,000	\$ 2,171,138
Year 6	\$ <u>88.76</u> / hr	25,000	\$ 2,218,902
Year 7	\$ <u>90.62</u> / hr	25,000	\$ 2,265,502
Year 8	\$ <u>92.62</u> / hr	25,000	\$ 2,315,402
Year 9	\$ <u>94.65</u> / hr	25,000	\$ 2,366,273
Year 10	\$ <u>96.73</u> / hr	25,000	\$ 2,418,308
Contingency Year 1	\$ <u>98.86</u> / hr	25,000	\$ 2,471,509
Contingency Year 2	\$ <u>101.04</u> / hr	25,000	\$ 2,525,875
Year 3	N/A	N/A	\$ 50,000.00
Year 4	N/A	N/A	\$ 50,000.00
Year 5	N/A	N/A	\$ 50,000.00
Year 6	N/A	N/A	\$ 50,000.00
Year 7	N/A	N/A	\$ 50,000.00
Year 8	N/A	N/A	\$ 50,000.00
Year 9	N/A	N/A	\$ 50,000.00
Year 10	N/A	N/A	\$ 50,000.00
Contingency Year 1	N/A	N/A	\$ 50,000.00
Contingency Year 2	N/A	N/A	\$ 50,000.00
Total Phase 2c Costs <i>(Sum of Years 1 through 10 Totals + Contingency Years 1 and 2 Totals + 50,000 for each year 3 through 10 + 50,000 for Contingency Years 1 and 2)</i>		\$ _____ 23,449,951	



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Optional Drug Rebate Services Costs (Refer to Section 3.2.9.2)			
Period	(A) All Inclusive Hourly Rate	(B) Maximum Hours	(C) Total (Column A * Column B)
Program Management Year 1	\$ _____ / hr		N/A
Program Management Year 2	\$ _____ / hr		N/A
Program Management Year 3	\$ <u>64.50</u> / hr	4,500	\$ 290,251
Program Management Year 4	\$ <u>65.98</u> / hr	4,500	\$ 296,927
Program Management Year 5	\$ <u>67.50</u> / hr	4,500	\$ 303,757
Program Management Year 6	\$ <u>68.99</u> / hr	4,500	\$ 310,439
Program Management Year 7	\$ <u>70.44</u> / hr	4,500	\$ 316,958
Program Management Year 8	\$ <u>71.98</u> / hr	4,500	\$ 323,932
Program Management Year 9	\$ <u>73.57</u> / hr	4,500	\$ 331,058
Program Management Year 10	\$ <u>75.19</u> / hr	4,500	\$ 338,341
Program Mgt Contingency Year 1	\$ <u>76.84</u> / hr	4,500	\$ 345,785
Program Mgt Contingency Year 2	\$ <u>78.53</u> / hr	4,500	\$ 353,392
Accounts Receivable Mgt Year 1	\$ _____ / hr	N/A	N/A
Accounts Receivable Mgt Year 2	\$ _____ / hr	N/A	N/A
Accounts Receivable Mgt Year 3	\$ <u>27.67</u> / hr	4,500	\$ 124,517
Accounts Receivable Mgt Year 4	\$ <u>28.31</u> / hr	4,500	\$ 127,381
Accounts Receivable Mgt Year 5	\$ <u>28.96</u> / hr	4,500	\$ 130,311
Accounts Receivable Mgt Year 6	\$ <u>29.60</u> / hr	4,500	\$ 133,178
Accounts Receivable Mgt Year 7	\$ <u>30.22</u> / hr	4,500	\$ 135,974
Accounts Receivable Mgt Year 8	\$ <u>30.88</u> / hr	4,500	\$ 138,966
Accounts Receivable Mgt Year 9	\$ <u>31.56</u> / hr	4,500	\$ 142,023
Accounts Receivable Mgt Year 10	\$ <u>32.26</u> / hr	4,500	\$ 145,148
Accounts Rec Mgt Contingency Year 1	\$ <u>32.96</u> / hr	4,500	\$ 148,341
Accounts Rec Mgt Contingency Year 2	\$ <u>33.69</u> / hr	4,500	\$ 151,604
Total Optional Drug Rebate Services	\$ <u>4,588,283</u>		



Total Not to Exceed Cost of Contract

Total Not to Exceed Cost of Contract

*[Where **Total Not to Exceed Cost of Contract** = (Total Phases 1 Costs) + (Total Phases 2a, 2b, and 3 Costs) + (Total Phase 2c Costs) + (Optional Drug Rebate Services]*

\$ 317,404,431

Note:

1. Member months estimates were developed based on the best information available at the time of the solicitation. The member months are to be used for purposes of cost proposal and evaluation only.
2. The cost proposal will be evaluated based on the Total Not to Exceed Cost of Contract. The cost bid should include all anticipated training, travel and related expenses including supplies and general administrative expenses.
3. The Total Hours referenced in the Optional Drug Rebate Services are for purposes of cost proposal and evaluation only.
4. Vendors **shall not** alter Attachment I, Cost Summary Bid Sheet, in any way without explicit acceptance by the Bureau. The Cost Summary Bid Sheet must be completed and submitted using the form provided. Attachment I will **not** be provided in electronic format (Excel, Word, etc.). The vendor may **not** recreate Attachment I.

Authorized Vendor signature:



Susan D. Arthur
Vice President and General Manager
U.S. Health and Life Sciences Industry

Date



If applicable, sign and submit the attached Resident Vendor Preference Certificate with the proposal. The Cost Proposal will be evaluated based on the total phases 2a, 2b, and 3 Costs for the ten base year period plus two additional one year contingency periods submitted on the Cost Summary Bid Sheet.