

5 RFP Sections 5 [RFP Attachment C]

REQUIREMENT: RFP Section Attachment C

The Offeror must certify their understanding for these sections.

Conduent has responded to all requirements as mandated by the RFP.

5.1 Section 5: Cost Proposal [RFP Section 5]

REQUIREMENT: RFP Section Section 5

All subsections of Section 5 require a response. The Offeror must indicate certification of understanding for the Section and the Offeror must restate the subsection number and the text immediately prior to the written response.

5.3 Payments

Conduent is a trusted partner providing a wide scope of services, scalable solutions, dedicated and knowledgeable industry experts at a cost that does not place an undue burden on your program.

Conduent recognizes that every program must be fiscally responsible with their program dollars and utilize a solution that offers functionality, security, and scalability at a cost that does not divert money from their program that could otherwise be used to service its members. In understanding the State budget and the requirements of this RFP, Conduent is offering a solution that provides the State with the functional and technical requirements to assure its members and stakeholders have a trusted solution for years to come, while providing a solution at a price that will not create a financial burden to your program.

We understand the need for a timely and risk-mitigated system delivery; therefore, our proposed work plan includes 5 months of parallel testing as part of our 28-month DDI, Integration, Implementation, and Certification timeline. Parallel testing is an extremely effective way to identify problematic issues before moving into a go-live state, thus reducing risk to the program and its stakeholders. Costs provided within our response also assume 92 months of Operations and Maintenance.

Conduent indicates certification of our understanding with the RFP Section 5, Cost Proposal, and we restate the subsection number and our text immediately prior to our written response.

Estimated Budget

DPHHS has established the following estimated budget amount for the Claims Processing and Management Services module. This estimate is based on the amounts approved in the DPHHS modularity I-APD but the estimated budget does not represent a budgeted amount for Option A, Option B or Option C Services or a maximum budget for Claims Processing and Management Services. Table 5.1 outlines the Claims Processing and Management Services module estimated budget:

Table 5.1 Estimated Claims Services Module Budget by Phase and Duration

Phase	Duration in Months	Total Amount
DDI, Integration, Implementation, and Certification	28 *	\$20,275,225
Operations and Maintenance (Base Years)	44	\$44,000,000
Operations and Maintenance (Optional Years)	48	\$50,400,000
System Enhancement Hours (7,500 DDI Hours)		\$937,500
System Enhancement Hours (4,000 *8 Operations years)		\$4,000,000
Total Estimated Budget		\$119,612,725

*The number listed in the Duration in Months column for DDI Integration, Implementation, and Certification represent the Department's estimates for the duration of DDI activities. These estimated durations should not influence the vendors proposed timeline.

Conduent understands that Table 5.1 Estimated Claims Services Module Budget by Phase and Duration within the RFP represents an estimated budget and the amount approved in the DPHHS modularity I-APD. This estimate does not represent a budgeted amount for Option A, Option B, or Option C Services, which we intend to offer in our response. We further understand that the estimated budget does not indicate a maximum budget for Claims Processing and Management Services. Conduent always makes a concerted effort to meet or come below a State's budget whenever possible. This information is helpful when developing solutions and pricing.

Price Schedules

In order to allow Offerors more flexibility in their pricing, the cost proposal was constructed using a multivariate approach:

- A) Fee for Service Annual Spend per State: A five (5) tier scale using ten years of historical Fee for Service annual spending for every State. Attachment N offers a detailed table of the Fee for Service spending ranges of every Tier (See Table 5.2.1 below). When a State is ready to sign a participating addendum, they will identify their total Fee for Service dollars spent in the previously completed Federal Fiscal Year that is published on the CMS website. Once they have identified that number, they will go to the corresponding Federal Fiscal Year columns and find the row for the range that contains their total Fee for Service dollar spend. That row is the State's Claims Pricing Tier.

Table 5.2.1 Claims Processing and Management Services Fee for Service Spend Tiers (FY2019)

Claims Pricing Tiers			
Claims Pricing Tier	Lower Limit	Higher Limit	Range Spend
Tier 1	\$ 0	\$ 1,499,999,999	\$ 1,499,999,999
Tier 2	\$ 1,500,000,000	\$ 3,499,999,999	\$ 2,000,000,000
Tier 3	\$ 3,500,000,000	\$ 6,499,999,999	\$ 3,000,000,000
Tier 4	\$ 6,500,000,000	\$ 13,999,999,999	\$ 7,500,000,000
Tier 5	\$ 14,000,000,000	+	infinite

Conduent understands that each of the five tiers represents the total fee-for-service spend range for a State program. We used the detailed information in Attachment N to determine each State's tier along with the associated cost impacts. We also compared that information to other States in the same tier as well as States in the same group to ensure that costs and pricing were appropriate and adjusted as needed.

- B) Total Number of Members per State: a seven (7) group scale based on the number of active de-duplicated Members served by each State across healthcare programs (Fee-for-Service and Managed Care) was created within each one of the five Fee for Service tiers. To further expand the difference between how an Offeror will use the Tier/Group, please observe the table 5.2.2 below:

Table 5.2.2 Groups (Member Range)

Groups (Member Range)							
	0-249,999	250K – 399,999	400K – 899,999	900K – 1,349,000	1.35M – 1,799,999	1.8M – 3,999,999	4M +
Tier 1	Group 1	Group 2	Group 3	Group 4	Group 5	Group 6	Group 7
Tier 2	Group 1	Group 2	Group 3	Group 4	Group 5	Group 6	Group 7
Tier 3	Group 1	Group 2	Group 3	Group 4	Group 5	Group 6	Group 7
Tier 4	Group 1	Group 2	Group 3	Group 4	Group 5	Group 6	Group 7
Tier 5	Group 1	Group 2	Group 3	Group 4	Group 5	Group 6	Group 7

Conduent understands that the State will use a multivariate approach in order to provide more flexibility in our pricing. Table 5.2.2 Groups (Member Range) will be utilized upon participating addendum to identify a States Group, by matching a States number of active de-duplicated members served across State healthcare program (Fee-for-Service and Managed Care).

The combination of "Tier" based on the Fee for Service annual spend and "Group" number of Members being served by each State provides the Contractor additional flexibility to tailor the cost to the size and scale of the states in their cost proposal.

The Table 5.2.3 below presents the number of States that are in each Tier and Group combination based on 2018 figures.

Table 5.2.3 Count of States per Tier/Group

Count of State/ Territory	Groups							
Tiers	Group 1	Group 2	Group 3	Group 4	Group 5	Group 6	Group 7	Grand Total
Tier 1	6	5	1					12
Tier 2	2	3	3	2	2			12
Tier 3			3	5	3	2		13
Tier 4			2	2	2	4	1	11
Tier 5							3	3
Grand Total	8	8	9	9	7	6	4	51

Conduent understands the challenge of providing a pricing structure that can accurately assign rates based on the number of Medicaid members and total fee-for-service spend. Conduent identified where each State fell in the Tier/Group map above. We then conducted rigorous testing to ensure that base rates and variable rates for both DDI and O&M were appropriate for each State and each group/tier combination. This level of testing was completed for the Claims Processing and Management Services module, Option A, Option B, and Option C.

Attachment G – Pricing Schedules is comprised of five 5 workbooks, one for each Tier. Each workbook represents a Tier derived from the Total Fee for Services Spend per State. Offerors must complete all of the Price Schedules for each of the five Tier workbooks provided in Attachment G. Offerors shall propose a firm fixed price for each of the fields contained on the pricing schedules. These schedules serve as the representation of Offeror's price. Offeror should include additional information, if requested, to explain the Offeror's price. No cost information shall be included in the technical proposal. All schedules must be completed in full at the time of submittal. The Offeror's complete cost proposal shall be represented in Attachment G –Pricing Schedules and includes the costs for the items included in Attachment L - Technology Matrix.

Conduent carefully reviewed all relevant information provided from the State, including Amendment 5, and we confirm that we understand the cost schedules. We provide a high level summary of each of the schedules below:

- **Schedule A.** Represents the cost summary for the Claims Processing and Management Services module, including all Options.
- **Schedule B.** Represents the percentage of the total cost for Design, Development and Implementation. It does not include Operations costs.
- **Schedule C.** Represents the total cost of operations including four base years and five optional years. We further understand this will be completed as an attachment to a Participating Addendum using Schedule F-2 for Core Claims Services, Schedule G-2 for Option A Claims Services, Schedule H-2 for Option B Claims Services, and Schedule I-2 for Option C Claims Services.
- **Schedule D.** Represents the cost for enhancement pool hours for both the DDI and Operations phases of the proposal. We further understand this schedule will be completed as an attachment to a Participating Addendum using Schedule F, tabs F-3 and F-4 for Core Claims Services, and if applicable Schedule G, tabs G-3 and G-4, Schedule H, tabs H-3 and H-4, and Schedule I, tabs I-3 and I-4.
- **Schedule E.** Represents the hourly rates for resources in both the DDI and Operations phases. This schedule will be completed as an attachment to a Participating Addendum based on the duration and scope of work determined in the Participating Addendum. All hourly rates will be updated by the Consumer Price Index Urban (CPI-U) once the Participating State Tab is filled.
- **Schedule F.** Represents the Claims Processing and Management Services core scope of work costs by group/tier combination for the DDI, Operations, DDI enhancement pool, and operations enhancement pool.
- **Schedule G.** Represents the Option A (Financial) scope of work costs by group/tier combination for the DDI, Operations, DDI enhancement pool, and operations enhancement pool.
- **Schedule H.** Represents the Option B (Call Center) scope of work costs by group/tier combination for the DDI, Operations, DDI enhancement pool, and operations enhancement pool.
- **Schedule I.** Represents the Option C (Federal Reporting) scope of work costs by group/tier combination for the DDI, Operations, DDI enhancement pool, and operations enhancement pool.
- **Schedule J.** Represents the Claims Services Integration Service Types. Offerors need to determine the number of hours for every resource specified in every one of the Integration Types:
 - Major Integration Service Type Effort
 - Complex Integration Service Type Effort
 - Standard Integration Service Type Effort

- Simple Integration Service Type Effort
- Onboarding Integration Service Type Effort
- **Schedule K.** Represents the DDI Requisitioned Integration Services Pool Hours and Cost. Offerors need to determine the Total Cost for the DDI Requisitioned Integration Services Pool Hours. Schedule K will only be considered complete and valid when the green highlighted cell has a value.
- **Schedule L.** Represents the Total Costs for the Optional Years for Data Conversion (years 4 to 9). The State further clarifies that Data Conversion Optional Years (Data Conversion Optional Years of Data) are optional conversion costs and are not part of the payment schedule in Schedule B-2. These costs will be reimbursed when the associated conversion is completed, accepted by the Department, and deployed to production.
- **Schedule M.** Represents the placeholder for Claims Services Option D (State Specific) Scope of Work Cost by Members. This Schedule is a placeholder for the costs associated with the State Specific requirements not currently found in the RFP but will be added during the Participating Addendum process. Offerors are only required to complete Schedules M-1 thru M-4 if the Participating States decide to have State Specific requirements that are not covered in the Core, Option A, Option B, or Option C requirements. The State further clarifies in responses to questions, Pricing Schedules M-1 through M-4 would only be completed as part of the Participating Addendum process if a State has additional state specific requirements to add to the scope.

5.3.1 Procurement Administrative Fees

The Offeror will be required to pay two separate procurement administrative fees as part of this procurement (NASPO ValuePoint Administrative Fee and Participating State Procurement Administrative Fee) for Design, Development, and Implementation (DDI) services portion of the Participating Addendum (e.g., procurement administrative fees will be applied to all DDI expenditures including the "...SVCS DDI Costs" and "...SVCS DDI Pool Costs" from Attachment G – Pricing Schedules, schedules F-1 and F-3, G-1 and G-3, H-1 and H-3, I-1 and I-3, plus any additional optional data conversion years cost required by a state in Schedule L - Data Conversion Optional Years). Procurement administrative fees will not be assessed on the Operations portion of the Participating Addendum. Procurement administrative fees will not be paid by the Participating State. Therefore, the Offeror's total proposed cost must account for the Offeror's responsibility to pay these fees to the respective entity at the time their invoices are paid. These procurement administrative fees support either the administration of the ValuePoint multi-state cooperative procurement program or they support the Participating State procurement activities in support of the multi-state cooperative procurement. The details of each administrative fee are as follows:

- a. **NASPO ValuePoint Administrative Fee:** The Contractor shall pay to NASPO ValuePoint, or its assignee, a NASPO ValuePoint Administrative Fee of one-quarter of one percent (0.25% or 0.0025) on DDI payments received from the Participating Entity no later than sixty (60) days following the end of each calendar quarter. The NASPO ValuePoint Administrative Fee shall be submitted quarterly and is based on all sales of products and services under the Master Agreement (less any charges for taxes or shipping) performed up until the time Design, Development, and Implementation (DDI) is completed. This fee is to be included as part of the pricing submitted with any proposal to a potential Participating Entity.
- b. **Participating State Procurement Administrative Fee:** If required by the Participating State, the Contractor shall pay to the Participating State Chief Procurement Officer, or its assignee, a Participating State Procurement Administrative Fee of no more than two percent (2.0% or 0.02) on DDI payments received from the Participating Entity no later than sixty (60) days following the end of each calendar quarter (or subject to the terms of the Participating Addendum whichever is sooner). The Participating State Procurement Administrative Fee shall be submitted quarterly and is based on all sales of products and services under the Master Agreement (less any charges for taxes or shipping) performed up until the time Design, Development, and Implementation (DDI) is completed. This fee is to be included as part of the pricing submitted with any proposal to a potential Participating Entity. If a Participating State chooses to assess a procurement administrative fee in excess of two percent, the Offeror will be allowed to adjust their proposed cost for the Participating State to account for the difference. If the Participating State does not choose to assess a Procurement Administrative fee or if the Participating State Procurement Administrative Fee is less than 2.0%, the Contractor shall reduce their cost proportionally as part of the Participating Addendum.

Conduent agrees to and understands that the Offeror will be required to pay two separate procurement administrative fees as part of this procurement (NASPO ValuePoint Administrative Fee and Participating State Procurement Administrative fee) for Design, Development, and Implementation (DDI) services portion of the Participating Addendum. This cost is included in our pricing.

Payments

During the DDI phase of the Contract, the Contractor will be paid for each successful payment milestone identified in Attachment G, Pricing Schedule B – DDI Payment Milestones, based on the approval and acceptance of the milestone by DPHHS. The Contractor will submit an invoice for each milestone after DPHHS acceptance. The Department shall pay such invoices within 30 calendar days following receipt of an acceptable invoice.

During operations, Contractor may submit monthly invoices equal to 1/12 of the fixed price proposed for that contract year as identified in Attachment G, Pricing Schedule C – Cost of Operations. The Contractor will submit an invoice at the beginning of the month following the month for which services were performed. The Department shall pay such invoices within 30 calendar days following receipt of an acceptable invoice.

Enhancement pool hours for both the DDI and Operations phase will be paid for each enhancement upon acceptance and approval by DPHHS. The Contractor will submit a monthly System Enhancement Pool Report itemizing the hours for accepted and approved enhancements during the previous month. The Department shall pay for associated hours in the approved System Enhancement Pool Report within 30 calendar days of acceptance of the enhancement based on the proration of rates provided in Attachment G, Pricing Schedule D – Enhancement Pool Hours.

DDI Phase Milestone Payments

Conduent agrees and understands that during the DDI phase of the contract, the Contractor will be paid for each successful payment milestone identified in Attachment G, Pricing Schedule B – DDI Payment Milestones, based on the approval and acceptance of the milestone by DPHHS. We further agree to the payment timeline identified in this requirement.

Operations Payments

Conduent understands that during operations, Contractor may submit monthly invoices equal to 1/12 of the fixed price proposed for that contract year as identified in Attachment G, Pricing Schedule C – Cost of Operations. We further agree to submit our invoice within the timeline identified in this requirement.

Enhancement Pool Hours Payment

Conduent agrees and understands that enhancement pool hours for both the DDI and Operations phase will be paid for each enhancement upon acceptance and approval by DPHHS. We further agree to submit a monthly System Enhancement Pool Report and understand the payment timeline indicated in this requirement.