



Molina Medicaid Solutions

*Response to State of West Virginia Request for Proposal MED13006
Medicaid Management Information System Re-procurement*





Response to:

The State of West Virginia
Bureau for Medical Services
Medicaid Management Information
Systems (MMIS)
Re-procurement
Request for Proposal MED13006

**200 Oceangate, Suite 100
Long Beach, CA 90802**

A handwritten signature in blue ink, appearing to read "Norm Nichols", is written over a horizontal blue line.

Norm Nichols
President
Molina Medicaid Solutions

225.216.6010
8591 United Plaza Boulevard
Baton Rouge, LA 70809

06-13-12

Date

Some of the information furnished in this proposal in response to RFP MED13006 is submitted in confidence and contain trade secrets and/or privileged or confidential information and such information shall only be disclosed for evaluation purposes. Provided that if a contract is awarded to this Proposer as a result of or in connection with the submission of this proposal, the State of West Virginia shall have the right to use or disclose the information therein to the extent provided in the Contract. This restriction does not limit the State of West Virginia's right to use or disclose information obtained from any source, including the Proposer, without restrictions. This information is proprietary or confidential and contains trade secret information that is privileged and is therefore exempt from disclosure under the provisions of West Virginia Code 29B-1-4. Pages containing such proprietary or confidential trade secret information are appropriately marked.





SECRETARY'S CERTIFICATE

Molina Information Systems, LLC, a California limited liability company doing business as Molina Medicaid Solutions ("Molina Medicaid Solutions"), is the wholly owned subsidiary of Molina Healthcare, Inc., a Delaware corporation. I serve as the Senior Vice President- General Counsel of Molina Healthcare, Inc. and all of its subsidiaries, and am the Secretary of Molina Medicaid Solutions.

I hereby certify and affirm that Norman Nichols is the duly appointed President of Molina Medicaid Solutions, and has full power and authority to enter into binding contracts on behalf of Molina Medicaid Solutions.

Executed this 5th day of January, 2012.



Jeff Barlow, Senior Vice President, Secretary and General Counsel



INTRODUCTION

Molina understands the critical assessment that the Bureau must perform to ensure that the overall bid price and individual schedules submitted by all vendors are correct and realistically provide for the services outlined in the RFP MED13006. It is the integrity and reliability of each vendor's bid price, as much as the price itself, which requires careful analysis. West Virginia should be able to rely on a price commitment from its selected vendor which is *equally realistic and certain*. The recent experiences of other states' MMIS implementations, including Alaska, New Hampshire, North Carolina, North Dakota, South Dakota, and Washington, stand as examples of what can transpire – post-selection budget uncertainties.

With proposing Health PAS, a proven COTS-based solution which is significantly compliant “right out of the box” as well as operational in three states, Molina provides West Virginia with realistic costing and price reliability. Molina's Health PAS meets the standard for maximizing West Virginia's price reliability while providing the State with a superior, CMS certified solution set to perform fiscal agent operations.

Most importantly, Health PAS continues to provide price reliability throughout the contract period since, by design, it can be readily reconfigured to reflect policy and benefit changes without writing new lines of programming code. Thus, when changes are required, BMS will experience the quicker, less costly “configuration” approach of Health PAS rather than the longer, more expensive “coding” approach of other systems in today's marketplace. No other vendor can offer the “configuration” versus “coding” advantages that Molina can.

Our overall pricing was developed by projecting operational staffing levels, technical capacity, system infrastructure, facility needs, and all other costs necessary to implement and operate a solution that meets or exceeds all RFP requirements. Molina has the distinct advantage of experience – knowing what it takes and how these costs apply to West Virginia. With our COTS-based solution, we have formulated an overall price that offers BMS a superior MMIS solution that will remain an industry leader into the future. We have included “economies of scale” cost savings attributed to the projected increase in Medicaid eligibles beginning in January, 2014 as a result of the Affordable Care Act of 2009.

Phase 1 MMIS Replacement DDI and CMS Certification Planning Costs

A risk factor in evaluating the reliability and integrity of any vendor's pricing is the soundness of the DDI Phase approach. The Molina cost proposal reflects the high value we place on providing West Virginia with a seamless transition. We believe a seamless transition can only be accomplished by leveraging proven staff, partners, vendors, and software which are already in place and working well for BMS. Knowledge of the operations, understanding of West Virginia's benefit and program rules, and a lengthy historical perspective eliminates the learning curve (and associated pricing risk) that a new vendor inherently brings.

Molina developed a cost estimate for design, development, and implementation that encompassed a 20-month schedule. The estimate was constructed using similar implementation approaches developed for our recent Idaho and Maine MMIS implementations as well as the West Virginia 5010 project. This approach has as its framework the cost methodology and project management guidelines as referenced in the PMBOK 4th edition and realizes the inherent flexibility and configurability of our COTS-based solution. Our DDI estimate is based on an efficient replacement of the existing MMIS with an extremely attractive and realistic price that was developed using a bottoms-up basis and driven by the major variables that typically comprise an overall DDI project:

- Schedule
- Type and quantity of resources
- Data conversion complexity



- Infrastructure needs
- Operations-based costs.

2,268 of the 2,289 business and technical requirements can be configured which provides a significantly more predictable level of effort to estimate, preventing cost variances. Nothing drives cost overruns like a delayed implementation. Molina is committed to working closely with BMS to ensure a timely and successful Health PAS implementation. Our experience in West Virginia has provided invaluable lessons that we will leverage for our continued work in the State and consequently will save BMS staff a significant amount of time and money.

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

Our routine fiscal agent operations costs are based on actual quantities of paper and EDI claims, correspondence, call center inquiries, enrollment applications, and other metrics that we have collected and reported on in our role as the current fiscal agent in West Virginia. Our operation is appropriately sized to handle the member volumes depicted in the cost sheets and not sized based on aggressive, alternative volumes that project to extremely low staffing models. We have taken into account the projected increases in volumes that will be attributable to the increases in the West Virginia Medicaid membership base. We conducted detailed productivity estimates to calculate how the increased member levels will drive staffing levels. Our MCO PMPM rates reflect the expectation that MCO members will not require as much operational support. We built into our business approach a plan to continuously improve our operation by achieving efficiencies and productivity, and we have passed the savings to BMS in the form of attractive PMPM rates over the life of the contract. This approach provides the benefit of effectively offsetting annual inflation factors that drive up costs over time.

We have included into the operations PMPM rates the requirement to periodically replace and refresh our technical infrastructure. Due to the number of years covered in the contract, we have incorporated two complete technical refreshes. These refreshes are in addition to the technical investment made during the DDI Phase to completely replace our current technical infrastructure. Furthermore, we have estimated supplemental refreshes of selected hardware more frequently based on overall reductions in technology cost over time and to ensure our operation is supported by an infrastructure that remains current through the life of the contract.

As required by RFP Section 4.1.14.2, we have estimated operations costs for year 1 and year 2 at zero dollars, and we have calculated a full year of operations beginning in year 3. Postage costs are considered a pass-through reimbursement and are not included in the cost proposal.

Operations costs to support the certification and turnover perform similar opportunities as well as the West Virginia RFP requirements. The estimated costs are reflected in the PMPM rates.

Phase 2c MMIS Modification and Enhancements Costs

Our composite billing rate for MMIS modification and enhancements is based on the BMS-approved hours for systems analysts and programmers only. Our rates assume designated modification and enhancement work will be done at our Charleston facility as required by RFP Section 3.2.4, Project Facilities, and includes costs associated with general and administrative resources and travel.

Drug Rebate Optional Services Costs

The costs associated with supporting the optional drug rebate services were estimated based on experience we have derived from our Florida Medicaid contractual history. Our rates for program management include drug rebate analyst resources to address current and historical drug rebate dispute resolution. Our rates for accounts receivable management are based on providing sufficient clerical staff



capable of handling drug manufacturers' rebate payments from receipt to posting. We acknowledge that the prices submitted for optional drug rebate services will be included in the cost bid scoring evaluation.

Total Not to Exceed Cost of Contract

Our price proposed for Phases 1, 2, and 3 for each of the 10 base years of the contract and each of the two one-year contingency periods contains all direct and indirect costs including administrative, travel, training, and out-of-pocket expenses necessary to perform all services described in RFP Section 3.2. We understand that the total of these prices being offered will be used for the cost bid scoring evaluation.

Summary

Molina provides West Virginia with realistic costing and price reliability based on the RFP requirements and our long-term, recent experience in West Virginia. Molina's Health PAS meets the standard for maximizing West Virginia's price reliability while providing the State with a superior, CMS certified solution set to perform fiscal agent operations for the life of the contract. Molina is pleased to provide this cost proposal to BMS and to continue our relationship.

ATTACHMENT I: COST SUMMARY BID SHEET

Phase 1 Costs <i>(Phase 1. MMIS Replacement DDI)</i>					
Item	Total				
Total Phase 1 Costs <i>(See Appendix C: Deliverables, Milestones and Payments)</i>	\$ 21,977,564.00				
Phases 2a and 2b, and Phase 3 Costs <i>(Phase 2a. Routine Fiscal Agent Operations; Phase 2b. CMS Certification; Phase 3. Close-Out and Turnover)</i>					
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	\$ 5.77	\$ 2.54	\$ 18,585,508.20
Year 4	229,765	215,269	\$ 5.17	\$ 1.84	\$ 19,007,760.12
Year 5	231,419	217,313	\$ 5.08	\$ 1.81	\$ 18,827,340.60
Year 6	233,063	219,389	\$ 5.05	\$ 1.79	\$ 18,836,093.52
Year 7	234,696	221,496	\$ 4.99	\$ 1.76	\$ 18,731,592.00
Year 8	236,316	223,636	\$ 5.02	\$ 1.77	\$ 18,985,704.48
Year 9	237,925	225,808	\$ 5.16	\$ 1.81	\$ 19,636,865.76
Year 10	239,546	228,014	\$ 5.13	\$ 1.80	\$ 19,671,554.16
Contingency Year 1	241,177	230,254	\$ 5.04	\$ 1.76	\$ 19,449,349.44
Contingency Year 2	242,820	232,528	\$ 4.85	\$ 1.69	\$ 18,847,791.84
Total Phases 2a, 2b, & 3 Costs <i>(Sum of Years 1 through 10 Totals + Contingency Years 1 and 2 Totals)</i>	\$ 190,579,560.12				

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.

Phase 2c Costs
(Phase 2c. MMIS Modifications and Enhancements)

Period	(A) All Inclusive Hourly Rate	(B) Maximum Hours	(C) Total <i>(Column A * Column B)</i>
Year 1	\$ <u>0.00</u> / hr		N/A
Year 2	\$ <u>0.00</u> / hr		N/A
Year 3	\$ <u>94.00</u> / hr	25,000	\$ 2,350,000.00
Year 4	\$ <u>97.00</u> / hr	25,000	\$ 2,425,000.00
Year 5	\$ <u>100.00</u> / hr	25,000	\$ 2,500,000.00
Year 6	\$ <u>103.00</u> / hr	25,000	\$ 2,575,000.00
Year 7	\$ <u>106.00</u> / hr	25,000	\$ 2,650,000.00
Year 8	\$ <u>109.00</u> / hr	25,000	\$ 2,725,000.00
Year 9	\$ <u>112.00</u> / hr	25,000	\$ 2,800,000.00
Year 10	\$ <u>116.00</u> / hr	25,000	\$ 2,900,000.00
Contingency Year 1	\$ <u>119.00</u> / hr	25,000	\$ 2,975,000.00
Contingency Year 2	\$ <u>123.00</u> / hr	25,000	\$ 3,075,000.00
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>			\$ 27,475,000.00



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	\$ 0.00 / hr		N/A
Program Management Year 2	\$ 0.00 / hr		N/A
Program Management Year 3	\$ 206.00 / hr	4,500	\$ 927,000.00
Program Management Year 4	\$ 218.50 / hr	4,500	\$ 983,250.00
Program Management Year 5	\$ 113.00 / hr	4,500	\$ 508,500.00
Program Management Year 6	\$ 116.00 / hr	4,500	\$ 522,000.00
Program Management Year 7	\$ 120.00 / hr	4,500	\$ 540,000.00
Program Management Year 8	\$ 123.50 / hr	4,500	\$ 555,750.00
Program Management Year 9	\$ 127.00 / hr	4,500	\$ 571,500.00
Program Management Year 10	\$ 131.00 / hr	4,500	\$ 589,500.00
Program Mgt Contingency Year 1	\$ 135.00 / hr	4,500	\$ 607,500.00
Program Mgt Contingency Year 2	\$ 139.00 / hr	4,500	\$ 625,500.00
Accounts Receivable Mgt Year 1	\$ 0.00 / hr	N/A	N/A
Accounts Receivable Mgt Year 2	\$ 0.00 / hr	N/A	N/A
Accounts Receivable Mgt Year 3	\$ 47.00 / hr	4,500	\$ 211,500.00
Accounts Receivable Mgt Year 4	\$ 49.00 / hr	4,500	\$ 220,500.00
Accounts Receivable Mgt Year 5	\$ 51.00 / hr	4,500	\$ 229,500.00
Accounts Receivable Mgt Year 6	\$ 53.00 / hr	4,500	\$ 238,500.00
Accounts Receivable Mgt Year 7	\$ 55.00 / hr	4,500	\$ 247,500.00
Accounts Receivable Mgt Year 8	\$ 57.00 / hr	4,500	\$ 256,500.00
Accounts Receivable Mgt Year 9	\$ 59.00 / hr	4,500	\$ 265,500.00
Accounts Receivable Mgt Year 10	\$ 60.00 / hr	4,500	\$ 270,000.00
Accounts Rec Mgt Contingency Year 1	\$ 62.00 / hr	4,500	\$ 279,000.00
Accounts Rec Mgt Contingency Year 2	\$ 65.00 / hr	4,500	\$ 292,500.00
Total Optional Drug Rebate Services	\$ 8,941,500.00		



Total Not to Exceed Cost of Contract

Total Not to Exceed Cost of Contract

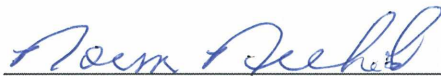
[Where Total Not to Exceed Cost of Contract = (Total Phases 1 Costs) + (Total Phases 2a, 2b, and 3 Costs) + (Total Phase 2c Costs) + (Optional Drug Rebate Services

\$ 248,973,624.12

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:



Date

06-13-12

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.