Replacement MMIS
Award Recommendation

North Carolina Department of Health and Human Services

November 6, 2008

This page is intentionally left blank.

Selection Committee:

Rich Ham - Chairperson	**Karen Lumsden**
Linda Pruitt	**Thelma Hayter**
Roger Barnes	**Edward Riley**
Gordon Neff	

This page is intentionally left blank.

Table of Contents

1 Recommendation

The Selection Committee recommends the award of the Replacement MMIS Contract to Computer Sciences Corporation.

2 Background

This procurement is for the Replacement Medicaid Management Information System (Replacement MMIS) which is being acquired by the Department of Health and Human Services (DHHS).

The Replacement MMIS encompasses the design, development, installation, and maintenance of a Replacement MMIS and execution of Fiscal Agent operations. The mission of these combined efforts is to ensure that authorized providers are performing medically necessary or clinically indicated services; eligible recipients are receiving those services; and payments are distributed following fiduciary guidelines and rules. North Carolina requires a replacement solution that will support and manage the Medicaid Program as well as other health coverage programs offered across DHHS.

The initial Request for Proposals (RFP) was released on July 27, 2007. An extensive question and answer process was conducted. This process was extended to accommodate Session Law 2007-323 which required that outside legal counsel review the RFP. DHHS hired the firm of Hunton & Williams to serve in this capacity.

On December 20, 2007, DHHS received Technical Proposals from Computer Sciences Corporation (CSC) and Electronic Data Systems (EDS).

3 Process Overview

The process and scoring methodology for this procurement are described in the Proposal Evaluation Plan. An overview is provided here for clarity and brevity.

Overview and Competitive Range Determination. DHHS used a two-step, two-submission process for evaluation. Due to the size of the Proposals and the number of evaluators, the evaluators were grouped into an Evaluation Team and a Selection Committee (see Appendix A for a list of the evaluators). The Evaluation Team primarily consisted of subject matter experts. The Selection Committee included managers. All scoring, as well as the award recommendation, was accomplished solely by the Selection Committee.

After an initial review of the Technical Proposals, the Selection Committee performed an initial competitive range determination. During this determination, the Committee evaluated each Offeror using the following three questions:

- Are the deficiencies in the Offeror's Proposal significant and so difficult to remedy that they bring into question the Offeror's ability to succeed on the contract?
- Is the number of minor and moderate deficiencies so large as to demonstrate the Offeror's lack of understanding, or inability to meet the scope and intent, of the contract?
- Based on the breadth of Proposals available, is it reasonable to assume that the Offeror could be selected for contract award?

To be considered part of the competitive range, the answers to the questions must be "No," "No," and "Yes," respectively for an Offeror. Both Offerors were deemed to be in the competitive range.

Oral Presentations and System Demonstrations. During February 2008, subsequent to the initial competitive range determination, the State conducted Oral Presentations and System Demonstrations with each Offeror. The purpose of the Oral Presentations was to support the written Technical Proposals to provide greater insight into an Offeror's approach. The purpose of the System Demonstrations was to:

- Gain a better understanding of the baseline systems to supplement the Offerors' written proposals;
- Evaluate the compatibility of the Offerors' baseline systems to the State's requirements and objectives in order to gain a feel for the level of effort and risk required for the Offerors to transform their baseline systems into the required system; and
- Gain an understanding of different solutions to the common MMIS requirements across states in order to widen the pool of potential solutions that could meet the State's requirements and objectives.

Technical Negotiations. After the Oral Presentations and System Demonstrations, the State completed its technical evaluation and began technical negotiations with the Offerors. The State sent a negotiation package to each Offeror consisting of comments documenting items in each Offeror's Proposal on which the State wished to negotiate. The State submitted 321 formal evaluation comments (negotiation items) to the Offerors. Upon completion of the technical negotiations, Offerors submitted Updated Technical Proposals (also known as Technical Best and Final Offers). These were received on May 29, 2008. Based on the Updated Technical Proposals, 70-80% of the negotiation comments were resolved for each Offeror. While many of the remaining issues were minor or clerical in nature, there were some substantive issues that remained unresolved. A small number of new comments were added for each Offeror based on the Updated Technical Proposals.

Legal and Administrative Updates. During May, June, and July, OMMISS received direction from the General Assembly, the State Chief Information Officer's office, and the Division of Medical Assistance (DMA) to make changes to the RFP requirements.

An Addendum to the RFP was issued, and the following key changes were made:

- Via Session Law 2008-107, the General Assembly directed the acceleration of incorporating additional benefit programs into the initial release of the Replacement MMIS. These benefit programs included North Carolina Health Choice and Kids Care (the State's implementation of the State Children's Health Insurance Program); Ticket to Work – Work Incentives Improvement Act (TWWIIA); families pay part of the cost of Community Alternatives Program (CAP) – Mental Retardation/Developmental Disabilities (MR/DD) and CAP Children's Programs, Medicaid waivers, and the Medicare 646 waiver as it applies to Medicaid eligibles.

- DMA directed the addition of Retrospective Drug Utilization Review (RetroDUR) operations and required the services to begin as soon as practical after Contract award.

- Other related requirements were modified for consistency.

The Offerors replied with Technical Proposal Supplements on August 5, 2008. After completing the evaluation of these Supplements, the Selection Committee determined that the Supplement discrepancies for both Offerors were few and did not require immediate resolution, nor did they have a substantive impact on technical scoring; therefore, separate technical negotiation was not warranted. Certain of these discrepancies were negotiated for inclusion into the Best and Final Offers (BAFOs) after the completion of the Cost Proposal evaluation.

Additionally, during the same timeframe, the State CIO directed the addition of a pricing table in the Request for Cost Proposals to collect information on data center operations costs to be provided to his office. This table was for "information only" purposes.

Technical Scoring. On August 14, the Selection Committee performed scoring on the Technical Proposals. Details of these scores are discussed later in this document.

Second Competitive Range. On August 15, after completion of the technical scoring, the Selection Committee conducted the second competitive range determination. The same questions used for the initial competitive range determination were used for this evaluation; however, in this case, technical scores were available to assist evaluation of the third question (reasonableness of award to a particular Offeror). Both Offerors were deemed to be in the competitive range.

Request for Cost Proposals. The State requested Cost Proposals on August 18, 2008, with a due date of September 9. On August 19, both Offerors requested a two-week extension, and the State granted this request by extending the due date until September 23. The State conducted a brief question and answer period on the Request for Cost Proposals after its issuance.

After receipt of the Cost Proposals, two issues arose requiring interaction with the Offerors.

First, both Offerors appeared to have clerical errors in one or both of the pricing tables for provider enrollment, credentialing, and verification (Pricing Tables S and T). Pricing Table S contained the unit prices for the individual services by State Fiscal Year (SFY) along with the State's estimated service quantities per SFY. Pricing Table T contained estimated total prices by Contract year based on prorating the State-provided service quantities and Offeror unit prices in Pricing Table S. Both Offerors miscalculated the prorated service quantities in the first two years of the Contract. Additionally, based on the unit prices provided by EDS, the State believed that there was a possibility that two lines of EDS' Pricing Table S had been transposed. The Selection Committee determined that the appropriate solution was to communicate with both Offerors to allow them to correct the potential clerical errors. On September 29, letters were sent to each Offeror providing instructions on correcting the potential errors with a response due the next day on September 30. Offerors were instructed that they could not change their prices as a result of the communications but could only correct the clerical errors, if applicable. Both Offerors corrected Pricing Table T using updated prorated annual service quantities. EDS declined to change Pricing Table S stating that it felt that the unit prices had been entered into the correct lines on the table.

The second issue concerned the use of State Enterprise License Agreements (ELAs). During preparation of the RFP in the summer of 2007, DHHS received direction from the State CIO to require Offerors using any software products for which the State possessed ELAs to use the State's licenses rather than to purchase their own. This requirement was placed in RFP Section 10.5. The State had planned to add the estimated cost for these licenses to other elements of the Offerors' proposed prices to determine the Total Prices. In Pricing Table X, Offerors were required to submit the products, license types, and license quantities required for the ELAs. While estimating the costs for the ELAs, the State CIO's staff discovered that the State's license agreements did not permit the use of the specified software on vendor-owned equipment operated in vendor facilities. As Offerors were required to establish and operate their own operations data centers, this license limitation prohibited the Offerors from using the State's ELAs. On October 8, DHHS sent an Addendum to the Offerors eliminating the ELA requirement from RFP Section 10.5 and requesting Cost Proposal Supplements that priced the software licenses each Offeror identified in Pricing Table X. Offerors were instructed that the Addendum represented a change in requirements and not an invitation to negotiate. Both Offerors responded on or before the due date of October 13 with Cost Proposal Supplements identifying the prices for the changed requirement.

4 Scoring Philosophy

The following is the essence of the scoring philosophy from the Proposal Evaluation Plan:

- The best value evaluation process was divided into two elements: scoring followed by tradeoff. Scoring involved points which were used to determine an initial ranking. Tradeoff involved best value analysis that could result in adjustments to the initial ranking. The scores were not adjusted during the best value tradeoff evaluation.

- Scoring:

    - The State scored on the premise that all requirements would be met by the Offerors' proposed solutions. For the technical evaluation, if an Offeror satisfied all of the RFP requirements with a high quality solution, it would receive 100% of the available points. Because of this, evaluators generally only documented those aspects of an Offeror's Proposal that were weaknesses, superior solutions, or strengths (as defined below). This eliminated unneeded documentation that did not contribute to scoring or to differences in best value. Given the very large size of the Proposals, this allowed the evaluators to evaluate all requirements and objectives from the RFP while focusing the documentation on aspects of the Proposals that influenced the evaluation the most. The Evaluation Team and Selection Committee used a peer review process to ensure that a majority of the applicable evaluators supported comments documented regarding the Proposals.

    - A weakness was found when an Offeror's Proposal failed to meet requirements or added significant risk or uncertainty as to whether the Offeror or its solution was likely to succeed. Weaknesses identified in an Offeror's Technical Proposal reduced the Offeror's score.

    - A strength was a solution that exceeded the RFP requirements and offered benefit to the State. Because high quality satisfaction of the RFP requirements achieved maximum points, strengths in an Offeror's Proposal did not affect score.

    - A "superior solution" was one that satisfied the RFP requirements in a particularly high quality manner that was likely to offer future benefit to the State. Because satisfaction of the RFP requirements achieved maximum points, superior solutions in an Offeror's Proposal did not affect score.

    - The process used six evaluation criteria (evaluation factors) as identified in the RFP and discussed later in this document. The Selection Committee applied the definitions of a particular criterion to the weaknesses for an Offeror, and then worked towards a consensus score for that criterion based on the collective judgment of its members. The resulting score was then confirmed by majority vote of the Selection Committee. It is important to note that scoring was not merely a "mechanical" tallying of the weaknesses.

- The initial ranking was based on each Offeror's combined technical and price scores, encompassing all six evaluation criteria. This ranking was carried forward to the tradeoff process.

- Tradeoff:
  - In accordance with 09 NCAC 06B.0302, "Offers are ranked using the evaluation factors and their relative importance or weight as defined in the solicitation document. The relative overall ranking of any offer may be adjusted up or down when considered with, or traded-off against, other non-price factors." After evaluating the BAFOs, the Selection Committee conducted the tradeoff process by starting with the ranking determined by the Offerors' total scores (the sum of each Offeror's technical and price scores) and then evaluating the following:
    - Each Offeror's strengths and superior solutions
    - Changes in the Offerors' proposed solutions in their BAFOs
    - Certain weaknesses that had not been previously applied to scoring
    - Total Cost of Ownership

    These changes could have resulted in adjustments to the rankings, as warranted.
  - The recommendation is to award the Contract to the Offeror with the highest ranking after the best value tradeoff evaluation.

5 Proposal Scoring

Scoring on the Technical and Cost Proposals was evaluated against six evaluation criteria:

- Technical and Operations Solution
- Program Risk
- Total Price
- Design, Development, and Installation (DDI) Schedule
- Past Performance and Experience
- Corporate Capabilities and Financial Stability

The Selection Committee performed the scoring of the Proposals using the results of the evaluations done by Selection Committee and Evaluation Team members. The following subsections describe each criterion and the scores received by each Offeror.

5.1 Technical and Operations Solution

5.1.1 Definition

The extent to which the solution improves the State's current operations and has the capability to continue to foster future improvements in operations. The technical and operations solution includes the satisfaction of the requirements and goals, the system's architectural quality, and the Offeror's approach and staff skills in performing the needed Fiscal Agent operations in accordance with statutes as well as CMS and State regulations and policies.

5.1.2 Scoring Results

With a maximum of 20 points (the more points, the better), the scores for Technical and Operations Solution are as follows:

Offeror	Technical and Operations Solution Score
CSC	18.0
EDS	15.0

Note that the following lists discuss weaknesses that had the largest influence on scoring. The results of the BAFOs were not known at the time of scoring, and thus, did not affect the scores. To assist the reader, some of the results of the BAFOs are briefly discussed in this section to improve understanding of how certain weaknesses continued to play a role, after scoring, in the subsequent tradeoff process. The effects of the BAFOs and their impacts on the best value analysis that took place after scoring are contained later in this document in Sections 6.9 and 7.

For **CSC,** the weaknesses that had the largest influence on scoring Technical and Operations Solution were (in no particular order):

- The RFP required that the Offerors allocate 90 business days for a State-led User Acceptance Test. While the Offeror committed to a 90 business day User Acceptance Test in the Proposal text, the Integrated Master Schedule (IMS) does not appear to include the full duration of the test. The Offeror corrected this error in its BAFO (after scoring was complete) and adjusted its IMS in a fashion that did not require extending its DDI schedule.
- CSC proposed a development style that included the use of prototyping to facilitate requirements and design sessions with the State. While the State felt that this would be a useful approach, CSC was unclear in its original Technical Proposal, Oral Presentation,

and Updated Technical Proposal as to the exact sequence of events that would transform prototype quality code to "industrial strength" code. The Selection Committee was concerned that this process was not explained as clearly as it should have been. The Offeror's BAFO (after scoring was complete) improved the State's understanding of this process.

- CSC's implementation of staged delivery (required by the RFP) used multiple software "builds" to incrementally develop the system. The purpose of the staged delivery process was to "provide early feedback on requirements, performance, architecture, and design issues and to mitigate specific risks." CSC's plan completed the requirements and design prior to delivering any software, thus missing the opportunity for this early feedback. CSC did improve the situation in its Updated Technical Proposal by delivering the provider enrollment, credentialing, and verification software (to support the required early implementation initiative in this area) within the first year. While the Selection Committee would like to have seen the software for one or more additional business areas accelerated into the first year, CSC's approach addressed the requirement to an acceptable degree.
- The Offeror made a number of minor errors in the State Requirements Matrix (SRM). The SRM was a traceability tool in each Offeror's Technical Proposal that served as a Proposal index indicating where in a Proposal a particular solution could be found. It also allowed Offerors to identify what types of changes would be needed to their baseline systems in order to the meet the State's requirements. As part of updating their Technical Proposals after negotiation, the Offerors were required to keep this matrix and the other parts of their Proposals in sync. CSC had a number of errors on SRM items that had been changed as part of negotiations. The Selection Committee was concerned that the errors indicated potential quality control problems. Note that EDS also had minor errors in the SRM, but its Proposal contained fewer errors.

For **EDS,** the weaknesses that had the largest influence on scoring Technical and Operations Solution were (in no particular order, unless so stated):

- The most significant concern the Selection Committee had with the EDS Technical Proposal was the appearance that EDS was often not willing to modify its approach to meet the State's requirements and was not always willing to reveal the bases underlying various aspects of its Proposal. The following are examples of this concern (in no particular order):
    - The RFP required a staged delivery approach for the software development life cycle in order to reduce risk. The Offeror's Integrated Master Plan stated, "While the following exhibit, High-Level Project Overview, shows a waterfall approach, there is vast overlap of activities and iterations within phases." This did not meet the intent of the RFP, and the State identified this in its technical negotiation package. Face-to-face discussions failed to clearly resolve the issue, and the Offeror did not change its approach substantively in its Updated Technical Proposal other than to identify "stages" where the software would be "inspected" (a term repeated in the Cost Proposal). The State had concern with this approach because :

    - The Offeror did not make clear what software would be tested in each stage. The IMS showed no dependencies linking the stages to the development activities, and its Integrated Master Plan (IMP) did not explain the contents of the stages.
    - The IMS did not identify the required pre-testing training.
    - The term “inspection” is not normally synonymous with “test.” It usually implies a substantially less hands-on process than does testing.

    The Offeror’s BAFO failed to resolve this problem. This concern is discussed in greater detail later in this document.

- In the Offeror’s initial Integrated Master Schedule, it identified the hours of effort it expected from the State. This value was around 100,000 hours. While this number seems somewhat high, it is not entirely out of the norm for a project of this size. The evaluators were concerned, however, that the IMS proposed a peak workload for the State of around 150 full-time equivalents (FTEs), with an extended period of workload of around 85-150 FTEs. This was clearly not supportable by the State.

  During face-to-face discussions supporting the technical negotiations, the State asked the Offeror if any of the (many) states with which it had worked had ever been able to meet a 150 FTE workload or anything near that. The Offeror responded that it had not previously seen that level of performance from a state. The Selection Committee was concerned as to why the Offeror would have proposed a solution that required a potentially unprecedented quantity of State support, particularly when the Offerors were allowed to establish their own development schedules.

  The Offeror’s Updated Technical Proposal improved the solution by extending its DDI schedule by three months and reorganizing certain activities. This improved the peak workload issue, although it did not entirely eliminate it.

- The Offeror’s Integrated Master Plan included a discussion of some of the system development manpower and schedule estimation methodologies used by EDS. The IMP indicated that EDS had used both function points (a method of estimating software size) and a commercial estimation tool (Software Lifecycle Management – SLiM) on DDI projects in the past, as far back as 1996. The Proposal contained charts of the output of the estimation model; however, these charts had significant inconsistencies and most of the displayed graphs showed data points whose values were clearly anomalous (e.g., indicating Vendor staff sizes in error by a factor of ten).

  During the Oral Presentation, EDS stated that it had not used function point size estimates for prior MMIS projects, and that the database of historical projects used for their SLiM estimation contained no MMIS projects. Rather than fixing the displayed charts, EDS resolved this issue in its Updated Technical Proposal by removing the questionable charts and replacing them with different charts.

  Additionally, one of the key factors in the SLiM tool is the expected productivity of the software development staff. The Offeror’s initial Technical Proposal claimed that its analysis using SLiM indicated using a Productivity Index (PI) of 23 as the industry norm and that EDS was being conservative in using a PI of 21.2 in its estimation. SLiM is a product of a company called QSM. The founder of QSM, Lawrence Putnam, stated in a February 2006 interview in *Crosstalk: The Journal of Defense Software* that the company had never seen productivities higher than the equivalent of about 22 which indicated that EDS’ claim that 23 as the industry norm was suspect.

In its technical negotiations package, the State pointed out this apparent discrepancy, and in its Updated Technical Proposal, EDS reduced the PI used in the tool to 14.8, in line with EDS' claimed productivity for other recent MMIS implementations averaging about 15. Since PI has an exponential effect on effort estimation, this change was significant.

While many of the problems with EDS' effort estimation were technically resolved, the changing explanations and numbers left the Selection Committee with concerns about the reliability of the data being presented.

- The Offeror emphasized the value of its proprietary documentation and collaboration tool, iTRACE, in its written Proposal, Oral Presentation, and System Demonstration. However, the Offeror was unclear as to whether iTRACE was part of its baseline system and whether it intended to provide the State with the intellectual property rights required by the RFP for Proprietary Vendor Material. The State asked about the rights during the Oral Presentation, and the Offeror first stated that the tool was proprietary, and that it would provide only a perpetual use license, with long-term maintenance available at additional cost. Later in the week, the Offeror revised this position to state that anything the Offeror brought to North Carolina as part of the project would remain with the State should the State select another vendor in the future. The State submitted a comment on this topic as part of technical negotiations in order to get written assurance that the Offeror intended to meet the RFP requirements. The Offeror's Updated Technical Proposal included providing source code for iTRACE but did not identify other artifacts such as requirements documents, design documents, test scripts and tools, etc. (the Selection Committee later learned that these documents do not exist). The Proposal also included a statement modifying the RFP's intellectual property requirements.

  The iTRACE issues were resolved in the final BAFO (after scoring was complete), but the lack of additional software documentation raised some concern as to whether the Offeror was internally developing documentation on such an important tool.

- The RFP requires the Offeror to stand ready to become the integrator via a Contract amendment after award. During technical negotiations, the State asked for assurance from both Offerors that they not extend their development schedules merely because of assuming this role (notwithstanding schedule changes caused by unplanned changes in scope beyond the Offeror's control). After technical negotiation, the EDS Updated Technical Proposal did not commit to holding firm on the schedule. This issue concerned the Selection Committee because it represented the possibility that the Offeror, if selected, might use the pre-planned addition of the integrator duties to extend the schedule.

  The integrator issue, too, was resolved in the final BAFO (after scoring was complete).

- The Offeror's proposed Change Management Approach indicated that substantial decision-making authority with respect to Contract scope determinations would be unilaterally vested in EDS. It also indicated that the Change Control Board (CCB) had the authority to determine the content and cost of change orders and make them effective without contract amendment. In its technical negotiation package, the State did not concur with this approach because it was inconsistent with the change process provisions of the RFP and because it would not be acceptable to State and Federal approval authorities. The Offeror's Updated Technical Proposal repaired some issues but remained internally inconsistent. Portions of the description retained the unilateral scope determinations by the Offeror and reinforced the idea that the CCB would determine or negotiate prices. The State's BAFO negotiation package required only that the Offeror, if selected for

Contract award, work with the State to resolve these issues when the final version of the Change Management Plan was submitted. The Offeror's BAFO committed to this approach (after scoring was complete), but the Selection Committee remained concerned about the difficulties encountered resolving this issue, particularly the aspects of scope control.

- In the RFP, the State required Offerors to submit certain "plans" (such as the Project Management Plan) that needed to be mature and effective immediately after Contract award, and for documents which may have required details unknown at the time of preparing the Proposals, the State required Offerors to submit "approaches." These approaches are planned to be finalized at the appropriate time after Contract award. Two of the approaches submitted by the Offeror, the Deployment/Rollout Approach and the Operations Management Approach, represented activities occurring in the Operations Phase or late in the Replacement Phase. The proposed due dates for these plans were slightly over two months into a 30-month Replacement Phase. The State felt that it could not possibly be in a position to contribute to or approve such plans that early in the Contract. This concern was included in the technical negotiation package for EDS requesting that the dates be moved out further in the project. The comment stated that if EDS still wished to gain the State's concurrence for an early delivery, it would have to explain what activities it proposed to get the State up to speed on the topics. In its Updated Technical Proposal, EDS moved the delivery dates out to around the five-month point in the Replacement Phase (still over two years prior to the Targeted Operational Start Date) with no further explanation. While this was an improvement, it still seemed very early in the project to be signing off on these plans.

  In the negotiation package for the BAFOs (after scoring was complete), the Offeror rectified this problem.

- The Offeror's Technical Proposal failed to express sufficient completeness in many areas needed to communicate its proposed solution. In some cases, evaluators were concerned that the proposed solutions offered insufficient information to form a complete opinion. After negotiation, the Offeror improved the content of many of its responses, but the cross-references often pointed to large sections of Proposal material, and thus did not fully resolve the situation.

- The Offeror's initial Integrated Master Plan failed to achieve the intent of an IMP. While the State was open to significant flexibility in the format and content of the IMP, EDS' IMP needed to contain a hierarchy of the fundamental elements of events, accomplishments, and criteria, as outlined in the RFP. The Offeror's Updated Technical Proposal attempted to rectify this situation, but the results did not indicate a complete understanding of the purpose and content of an IMP.

- The RFP required the Offerors to propose adequate time for the State to review and approve Milestones and Deliverables. EDS' initial proposed solution had very aggressive timelines, and while it mandated how long the State's review time would be, it did not commit EDS to meeting a specified turnaround time on updated documents. The evaluators felt that the State team might not be able to review large Deliverables in the time allotted. They were also concerned that if the Vendor did not commit to a turnaround time on the State's review comments, the queue of Deliverables could back up causing resource issues with the State. The duration and structure of the review cycles are very important because the State allowed Offerors to propose review cycles under which Deliverables would be deemed accepted if the State did not respond in a timely fashion. During negotiations, the Offeror proposed a two-tiered review cycle based on the size and complexity of the Deliverable. This appeared to be a good approach. The Updated Technical Proposal, however, was inconsistent in committing to a turnaround time by the Offeror, and this inconsistency continued into the Cost Proposal. The Offeror committed to a turnaround time in its BAFO (after scoring was complete), although the BAFO had inconsistencies in the two places where review cycles were discussed (one was incorrect).

5.2 Program Risk

5.2.1 Definition

This criterion includes risks affecting cost, schedule, and system and operational performance. Schedule realism will be evaluated as part of Program Risk.

Note: Weaknesses in the Risk and Issue Management Plan and the Initial Risk Assessment were addressed as part of Program Risk because those weaknesses directly contribute to the ability to manage risk.

5.2.2 Scoring Results

With a maximum of 20 points (more points means lower risk), the scores for Program Risk are as follows:

Offeror	Program Risk Score
CSC	15.0
EDS	17.0

For **CSC,** the weaknesses that had the largest influence on scoring Program Risk were (in no particular order):

- Much of the Team CSC leadership has been/will be hired from outside the company (or returning after significant absences) and was not part of the team that developed the baseline product. This may be, in part, driven by the fact that CSC is currently the fiscal agent in only one state. The Selection Committee noted that this state (New York) is very large (treated as its own “region” by CMS), and that CSC processes a substantially larger volume of claims in New York than will be processed in North Carolina. Also, during the Oral Presentation and System Demonstration, the Offeror team did not appear to have integrated the team members with North Carolina knowledge very well. While the Selection Committee felt that CSC would still be able to successfully complete the Contract, the impact of selecting a team that is not fully unified could be delays in the project schedule (which largely come at Vendor cost due to Contract damages provisions). The State highlighted this risk in its technical negotiation package, and the Selection Committee felt that CSC responded both in writing and face-to-face as well as could be expected. During the face-to-face discussions for technical negotiations, the State's negotiation team noticed a distinct improvement in how the Offeror demonstrated cohesion and how it used the North Carolina-experienced members of its negotiation team more effectively. Despite the improvements, this risk remained a concern.

- While the multi-payer requirements of this Contract were emphasized strongly by the State, the Offeror's Technical Proposal demonstrated shortfalls in how it planned to pursue an integrated solution satisfying all customers. Failure to mitigate this risk could result in a system that is inflexible in meeting the State's requirements and might require extension of the development effort in order to resolve issues discovered late in the process. After technical negotiation, the Offeror improved its response to discuss the cross-functional integration activities and testing that will occur to mitigate this risk. Despite the improvements, this risk remained a concern.

- The Offeror's Technical Proposal and Oral Presentation indicated a number of discrepancies in the area of Third Party Liability (TPL). Additionally, the Offeror does not appear to have significant previous TPL experience. The Selection Committee felt that the Offeror's lower experience in this area posed a risk during system development. While the general weaknesses in the Offeror's TPL solution were resolved as part of technical negotiations, this risk remained a concern.

Note: The Selection Committee analyzed the Offeror's DDI schedule for realism using basic reasonableness checks and deconfliction analysis. The State's deconfliction analysis involved the evaluation of the Offeror's Integrated Master Schedule to ensure that the Offeror had not scheduled more simultaneous, conflicting tasks for the State than the State staff could practically manage. From these evaluations, the Selection Committee determined that CSC's schedule was not unreasonable.

Note: The Offeror identified numerous risks in its Initial Risk Assessment. The Selection Committee felt that, in most cases, the Offeror identified reasonable risks, and the Offeror's mitigation plans were generally sufficient to initiate risk management activities after Contract award, if selected. These risks were considered as part of Program Risk, but no single risk in the Offerors assessment had a major impact on its score for this criterion.

For **EDS,** the weaknesses that had the largest influence on scoring Program Risk were (in no particular order):

- While the multi-payer requirements of this Contract were emphasized strongly by the State, the Offeror's Technical Proposal demonstrated shortfalls in how it planned to pursue an integrated solution satisfying all customers. Failure to mitigate this risk could result in a system that is inflexible in meeting the State's requirements and might require extension of the development effort in order to resolve issues discovered late in the process. As part of its Updated Technical Proposal, EDS improved its approach to mitigate this risk. It also added periodic "Multi-Payer Summits" designed to highlight and manage areas of concern. Despite the improvements, this risk remained a concern.

- The RFP required a risk and issue management process and plan that integrated the management of risks and issues to allow the earliest practical identification and mitigation so that impacts could be minimized. Because risks represent the potential for problems and issues represent actual problems, managing the two in an integrated fashion is likely to improve management of both risks and issues, thus minimizing problems. The Offeror's initial Risk and Issue Management Plan (RIMP) did not include sufficient information on how it intended to manage issues to demonstrate this integration. After technical negotiation, the Offeror's Updated Technical Proposal addressed issue management much more thoroughly. Unfortunately, the Offeror proposed a solution that included separate plans for managing risks and issues. It also included two "sample plans" for managing risks and issues demonstrating the separation of these two activities. The Offeror appeared not to understand that the RIMP in the Technical Proposal was, in fact, the actual RIMP with which the project would begin, and that risk and issue management was supposed to be integrated. (Note: the State felt that the inclusion of sample plans violated the page limitations established in the RFP. The State removed the sample plans from the Updated Technical Proposals and sent a letter to the Offeror notifying it of the removal decision. Because the Offeror's RIMP and the sample plans appeared to be consistent in their proposed solutions, the removal of the sample plans had no impact on the Offeror's score for Program Risk.) In its BAFO (after scoring was complete), the Offeror committed to managing risks and issues in a single management process. The BAFO also stated that EDS' "project management processes and 'plans' for initial identification, entry, analysis, and action are different for issues and risks, but these converge into a single consolidated evolution addressed jointly." The Selection Committee remained concerned that this commitment seemed to be an incomplete endorsement of the requirement for an integrated process.

Note: The Selection Committee analyzed the Offeror's DDI schedule for realism using basic reasonableness checks and deconfliction analysis. The State's deconfliction analysis involved the evaluation of the Offeror's Integrated Master Schedule to ensure that the Offeror had not scheduled more simultaneous, conflicting tasks for the State than the State staff could practically manage. EDS's schedule, while somewhat aggressive, was not unreasonable; however, the Integrated Master Schedule still reflected a waterfall-like software development life-cycle which tended to somewhat compress the State's interaction early in the project. The Selection Committee felt that this compression added risk to the development activities because the peak State workloads may result in the State having difficulties performing its duties in a timely fashion (see an expanded discussion of this issue in Section 5.1.2 on Technical and Operations Solution scoring). EDS improved its IMS as a result of technical negotiations, particularly for the requirements verification activities, but the peak workload issue remained a concern.

Note: The Offeror identified numerous risks in its Initial Risk Assessment. The Selection Committee felt that, in most cases, the Offeror identified reasonable risks, and the Offeror's mitigation plans were generally sufficient to initiate risk management activities after Contract award, if selected. These risks were considered as part of Program Risk, but no single risk in the Offerors assessment had a major impact on its score for this criterion.

5.3 Total Price

5.3.1 Definition

This includes proposed prices for all years of the contract, including the option year, for the Replacement, Operations, and Turnover Phases, including prices for DDI; CBUs; provider enrollment, credentialing, and verification; Retrospective Drug Utilization Review (RetroDUR); recipient management for programs identified in the requirements; the Operations Phase Modification Pool; and the estimated costs of all licenses procured by the State under the Enterprise License Agreements as directed in Section 10.5. The Total Price excludes rates and prices for the Replacement Phase Additional Functionality Pool, Offeror-proposed options, and Offeror-proposed exceptions, as these will be considered as part of the best value tradeoff process.

5.3.2 Scoring Results

With a maximum of 20 points (more points means lower price – lowest price receives maximum points), the scores for Total Price are as follows:

Offeror	Total Price Score
CSC	20.0
EDS	18.0

CSC's Total Price at the time of scoring was $276,922,670.22.

EDS' Total Price at the time of scoring was $307,398,386.74.

Note that these prices were calculated using the Offeror's included prices for the software covered by the State's Enterprise License Agreements (as discussed previously in this document).

5.4 DDI Schedule

5.4.1 Definition

The proposed schedule for the Replacement Phase.

Note: As identified above, schedule realism was scored as part of Program Risk.

5.4.2 Scoring Results

Note: Both Offerors proposed some small lag time from Contract award until their first scheduled activity was to begin. These periods, while small, were not equal. After reviewing the definitions in the RFP, the Selection Committee determined that the Replacement Phase begins with Contract award; therefore, the DDI Schedule was calculated from the Contract award date until the Targeted Operational Start Date. This ensured equal treatment of both Offerors. The State directed the Offerors to assume a Contract award date of January 21, 2009.

With a maximum of 15 points (more points means shorter schedule – shortest schedule receives maximum points), the scores for DDI Schedule are as follows:

Offeror	DDI Schedule Score
CSC	14.4
EDS	15.0

Per the Proposal Evaluation Plan, the DDI Schedule was scored objectively using a formula that awards maximum points to the Offeror with the shortest proposed schedule.

For **CSC**, the DDI schedule was calculated as follows:

- Contract award date was assumed to be January 21, 2009
- Targeted Operational Start Date is September 9, 2011
- The DDI Schedule duration is 31.6 months

For **EDS**, the DDI schedule was calculated as follows:

- Contract award date was assumed to be January 21, 2009
- Targeted Operational Start Date is August 3, 2011
- The DDI Schedule duration is 30.4 months

5.5 Past Performance and Experience

5.5.1 Definition

The Offeror's performance on previous projects of similar scope (e.g., health care and Medicaid-specific services).

5.5.2 Scoring Results

With a maximum of 15 points (the more points, the better), the scores for Past Performance and Experience are as follows:

Offeror	Past Performance and Experience Score
CSC	14
EDS	14

Note: In the Proposal Evaluation Plan, the Definition of Maximum Score included an evaluation of cost and schedule overruns on an Offeror's most recent MMIS implementation. During the evaluation, the Selection Committee came to the conclusion that it would not be able to obtain accurate and traceable cost information related to other States' MMIS projects; therefore, this area was not evaluated for either Offeror.

The State interviewed multiple references for each Offeror. Both Offerors received positive references, and all references stated that they would be willing to contract with the respective vendor again.

For **CSC,** the weakness that had the largest influence on scoring Past Performance and Experience was:

- The Office of State Controller (OSC) in New York published a report critical of CSC during DDI of its MMIS. The report called CSC a "poor performer." New York Department of Health responses to OSC reports disagreed with many of the findings. The Selection Committee noted that the system was certified by CMS with full retroactive Federal Financial Participation (FFP), as is the norm for state MMIS certification.

Despite this ultimate success, the Selection Committee still remained concerned about this situation.

Note: The State of New York was unwilling to respond to questions concerning CSC's performance on its MMIS contract. The response from New York was:

> "At this point it is the official policy of the NYS Department of Health to not give corporate references for CSC. However, North Carolina (or any other requestor) should not interpret this policy in any way as a negative reflection on CSC."

For **EDS,** the weakness that had the largest influence on scoring Past Performance and Experience was:

- An EDS subsidiary (National Heritage Insurance Company – NHIC) performing MMIS work agreed to a $24.5M settlement with the State of Texas. The Texas State Auditor reported findings to the Texas Attorney General's Office that NHIC, "made inappropriate payments to providers, did not adequately recoup money owed to the State by service providers, and double-billed administrative fees." The Texas Attorney General's Office noted other contract breaches and stated the contract would "…require constant legal monitoring and accounting auditing of the performance of NHIC..." Given the large number of MMIS clients served by the Offeror, this does not appear to be a systemic problem; however the Selection Committee remained concerned about this situation.

5.6 Corporate Capabilities and Financial Stability

5.6.1 Definition

This includes an Offeror's strengths, capabilities, and overall experience, including corporate background and structure and financial soundness.

5.6.2 Scoring Results

With a maximum of 10 points (the more points, the better), the scores for Corporate Capabilities and Financial Stability are as follows:

Offeror	Corporate Capabilities and Financial Stability Score
CSC	10
EDS	10

After the completion of technical negotiations, neither Offeror had any remaining weaknesses for this criterion. Both Offerors are large, stable companies deemed acceptable to the State, and the Selection Committee found no relevant weaknesses. Note that during the evaluation period, Hewlett-Packard announced that it was acquiring EDS (the acquisition was complete prior to making the award recommendation). This acquisition had no impact on scoring.

5.7 Overview of Scoring Results

Criterion	Available Points	CSC	EDS
Technical and Operations Solution	20	18.0	15.0
Program Risk	20	15.0	17.0
Total Price	20	20.0	18.0
DDI Schedule	15	14.4	15.0
Past Performance and Experience	15	14.0	14.0
Corporate Capabilities and Financial Stability	10	10.0	10.0
Total Score	100	91.4	89.0
Difference		+2.4	

5.8 Ranking Based on Initial Scoring

After completion of technical and price scoring, the ranking was as follows:

Ranking Based on Initial Score	Offeror
1	CSC
2	EDS

6 Best Value Tradeoff Evaluation

The purpose of the tradeoff process is to apply best value factors to adjust the rankings of the offers up or down based on the evaluation factors (criteria). In accordance with 09 NCAC 06A.0102, reduction in Total Cost of Ownership (TCO) is a fundamental objective of best value procurements.

In addition to the scores explained earlier in this document, the best value evaluation process considered four other major elements not addressed in the scores: 1) the impact of strengths and superior solutions, 2) the impact of weaknesses that were not previously applied to scoring, 3) changes to the Offeror's Proposals as part of negotiation and the Best and Final Offer (BAFO) process, and 4) TCO. Each is discussed below followed by the Selection Committee's determination of their influence on adjustment of the rankings.

6.1 Strengths and Superior Solutions

Reiterating the definition of strengths and superior solutions:

- A strength is a solution that exceeds the RFP requirements and offers benefit to the State.
- A "superior solution" is one that satisfies the RFP requirements in a particularly high quality manner that is likely to offer future benefit to the State.

Just as with weaknesses, strengths and superior solutions were documented in comments by the evaluators and each was assigned to one of the six criteria. The results of the Selection Committee's evaluation for each criterion are described below.

6.2 Technical and Operations Solution

For **CSC,** the strengths and superior solutions that had the largest influence on best value evaluation for Technical and Operations Solution were (in no particular order):

- CSC proposed numerous solutions for provider services that, particularly when combined, form a strong solution providing benefits to both the State and its providers. The individual elements of this strength are:
    - The State required the Offeror to take over provider enrollment, credentialing, and verification services from the State as soon as possible after Contract award and transition these activities to the Offeror's IT solution as soon as it was ready for implementation (the State currently performs mostly manual processes). After negotiation, CSC proposed to implement its provider Web portal about eight months after Contract award (as a note, EDS did not plan to implement its provider Web portal until about the 24^{th} month). The portal would begin the process of automating interactions with the provider community, lessening their administrative burdens. Additionally, implementation of the call center and Web portal could be a small step towards the final implementation of the entire Replacement MMIS, and reduce the risk on the transition between the Legacy MMIS+ and the Replacement MMIS, particularly in the area of provider operations.
    - Provider enrollment applications are generated automatically and include barcodes so that returned attachments can be processed more rapidly and with fewer mistakes.
    - CSC's call center applications demonstrated a superior modern solution that allows for real-time monitoring of all call activity on dashboards displaying useful metrics on calls and service level agreements. During the System Demonstration, the Offeror showed live outputs from New York's

Medicaid call center that the evaluators found very impressive. Additionally, the integration of workflows and pre-fetched data for call center operators can not only streamline the provider experience but also allow for analysis of call types and problems, as well as rapid workflow updates based on the results of these analyses (e.g., for addressing repeated calls concerning the same problem).

  - The Offeror's solution allows for multiple methods of communication with providers including secure, limited-duration e-mail; online access with an exchange repository; as well as paper methods. By providing multiple methods, the State is more likely to encourage prompt and efficient communications with its provider community.
  - The Offeror's approach to training providers and State users has the potential for long-term benefits by increasing the training planning involving the Offeror, State provider associations, etc.; the use of follow up evaluation techniques that can be used to continuously improve the training materials and experience; and use of a live system with scrubbed data for realistic training.
  - The Offeror has experience in an electronic health records (EHRs) pilot involving Medicaid recipients and providers in New York. While this was a limited pilot program, the experience could be beneficial to North Carolina in the future as it moves to integrate EHRs into its benefit programs.

- The Offeror committed to establishing and maintaining industry best practices for both software development and IT operations. This should result in the potential for continuous improvement in IT services with greater consistency and predictability. For software development, the Offeror committed to maintain Level 3 processes of the Software Engineering Institute's Capability Maturity Model Integration (CMMI). For IT operations, the Offeror committed to maintaining Information Technology Infrastructure Library (ITIL)-compliant processes. ITIL provides guidance on the provision of high quality IT services. Since it is easy for vendors to claim compliance with CMMI and ITIL without actually achieving the required performance, the State requested some demonstration of commitment from the Offeror during technical negotiations (as neither set of practices was a requirement and the Offeror did not commit to formal industry certifications). For both CMMI and ITIL, the Offeror committed to periodic joint inspections with the State. This does not guarantee performance at a particular quality level, but does represent an opportunity for the Offeror to demonstrate its commitment to the processes on a regular basis. As a note, EDS initially committed to maintaining ITIL-compliant practices, but when asked during negotiation to similarly commit to periodic joint reviews of its processes, EDS removed the ITIL practices from its Proposal.

- CSC is planning to retain a number of Key Personnel from DDI into operations. This should assist in continuity and reduce the risks associated with making a successful transition and ensuring significant knowledge transfer.

- While the State had no requirements for a near-zero unplanned system downtime (and did not budget for such an implementation), the Offeror's solution has demonstrated this capability in its New York implementation. Along with the near real-time data mirroring for backup, the system design has the potential to increase performance in the future, should the State require it.

- The scope of the Offeror's change management process exceeds the State's requirements. The Offeror is planning to manage not only the baselined artifacts required by the RFP, but also system configuration, network configuration, business processes, facilities, and security impacts. This approach has the potential to reduce unexpected problems resulting from uncoordinated or unmanaged changes.

- The Offeror's Statement of Work (SOW) was more comprehensive and thorough than required. This was particularly important because the RFP used a Statement of Objectives (SOO) which required Offerors to respond with a proposed SOW. The value of this approach is that Offerors are given the flexibility to meet the State's requirements in a manner that exploits their own strengths and experience. The challenge is getting Offerors to provide a thorough SOW that adequately commits them to meeting the requirements. The Offeror's SOW exceeded 100 pages and provided significant insight into the details of how it was planning to meet Contract requirements. This thoroughness not only provides confidence in the solution but decreases the likelihood of dispute over scope issues (and resultant costs) in the future.

For **EDS,** the strengths and superior solutions that had the largest influence on best value evaluation for Technical and Operations Solution were (in no particular order):

- The Offeror's reporting solution, known as Business Intelligence Analytical Reporting (BIAR), is built on a data warehouse that is used as the decision support system in other implementations. While the State plans to compete the decision support and surveillance utilization review capabilities separately (the Reporting & Analytics project), the fact that the underlying reporting system in EDS' solution appears to have the ability to scale beyond the Replacement MMIS requirements without impacting the performance of the transactional system could provide significant power and flexibility not only in the initial implementation but also for future requirements.

- The Offeror plans to use some of its existing North Carolina staff in the requirements validation sessions during DDI. This has the potential to improve the accuracy of capturing the requirements, thus increasing the likelihood of building the system properly the first time. While the dual use of the staff on the Legacy MMIS+ and Replacement MMIS projects could result in conflicts, the Offeror provided the State a reasonable plan for mitigating this challenge.

- The system has the ability to display a list of the business and pricing rules used during the adjudication of individual claims. Having access to this information would assist the

State in researching claims issues and be valuable in evaluating claims payments for accuracy.

- The Offeror proposed the use of an “interface coordinator” to work on inter-system interface issues. Given the number and variety of interfaces required for an MMIS, having a single individual responsible for ensuring successful integration decreases the risk that unforeseen or uncontrolled problems will derail the Replacement MMIS implementation, as well as reducing the risk for the other systems by providing a consistent authority on the MMIS side.

- While both Offerors proposed solutions that capitalize on the ubiquity of large storage systems, EDS’ solution was clear in its ability to exceed the State’s requirements for online storage and retrieval. All electronic documents would be maintained online in an off-the-shelf tool called Documentum for easy access, and the Offeror doubled the State requirement for online retention of claims data from five years of history to ten years. This improvement in access would allow the State to research claims and other documentation issues more rapidly than solutions having to retrieve data from offline or near-line storage.

6.3 Program Risk

There were no strengths or superior solutions for either Offeror in the area of Program Risk.

6.4 Total Price

CSC had no strengths or superior solutions in the Total Price criterion.

For **EDS,** the strength or superior solution that had the largest influence on best value evaluation for Total Price was:

- The Offeror’s solution contains the ability to automatically process certain pharmacy prior approvals (part of a capability known as “DUR+”). This can improve efficiency and save money by controlling duplicate therapy and dosage issues more efficiently and effectively than can be done manually. Because the State has already contracted with another vendor to provide similar services, and because the term of that contract is likely to overlap the Term of the Replacement MMIS Contract, the State directed the Offeror to provide this solution via an option so that the State could more effectively compare costs and determine the best approach. During face-to-face discussions supporting the BAFO negotiations, the State learned that the Offeror had extracted all pharmacy prior approval activities into an option rather than only the automated functions. The State requested that all but the automated prior approval capabilities and services be reintroduced into the base prices. The Offeror’s BAFO indicated that since the automated prior approval services represented such a small relative effort compared to the overall pharmacy services, the Offeror included these costs in its base proposed price. The remaining costs (for development) were reduced to zero in the option. The Selection Committee assumed that the automated portion of DUR+ could eliminate the need for the existing contract, and this would result in savings of over $4 million over five years of operations (see the Total Cost of Ownership section for additional information). Note: this strength describes an element of the Offeror's proposed solution. The strength was applied to Total Price because the value of the strength was ascertained as part of the Cost Proposal evaluation when the Selection Committee was able to evaluate the potential savings resulting from replacing the third-party solution currently in place. See the Total Cost of Ownership section for further details.

6.5 DDI Schedule

There were no strengths or superior solutions for either Offeror in the area of DDI Schedule.

6.6 Past Performance and Experience

CSC had no strengths or superior solutions in the Past Performance and Experience criterion.

For **EDS,** the strength or superior solution that had the largest influence on best value evaluation for Technical and Operations Solution was:

- The most important strength in EDS' Proposal was its overall experience in the Medicaid market serving as fiscal agent in 17 states, many of which are using customized variations of interChange, the Offeror's baseline system. While EDS' implementations have not always been problem-free (as the Offeror stated during its System Demonstration), the company's extensive experience could lower the risk on development, installation, and the early phases of operations.

6.7 Corporate Capabilities and Financial Stability

For **CSC,** the strength or superior solution that had the largest influence on best value evaluation for Technical and Operations Solution was:

- The CSC corporate structure places only two levels of management between the Executive Account Director for this project and the CSC Chief Executive Officer. This level of visibility could provide a potential superior solution by encouraging the company's leadership to be more responsive to the needs of the project.

EDS had no strengths or superior solutions in the Corporate Capabilities and Financial Stability criterion.

6.8 Weaknesses Not Previously Applied to Scoring

There were certain weaknesses that were not influential in scoring Offerors' Proposals. However, new information was obtained after scoring that influenced the best value evaluation.

For CSC, there were no significant weaknesses that had not been previously applied to scoring.

For EDS, the weakness that was not previously applied to scoring that had the most influence was:

- The Offeror did not properly account for the end-of-year holiday period requested by the State. Because the State's personnel availability tends to be very low during the Christmas-New Year's week, the State sent comments to both Vendors as part of the technical negotiations directing that the Offeror not schedule meetings or count any of the days towards the State's assigned time for reviewing artifacts during the period from December 24 – January 1 each year (adjusted as necessary when in close proximity to weekends). The Offeror's Updated Technical Proposal still included tasks during this period, and as part of the BAFO negotiations, the Selection Committee re-sent the comment and identified specific line items in the Offeror's IMS that violated the holiday period. The Offeror's BAFO still included tasks assigned to the State during the holiday period. While this issue appears relatively minor, it could result in approximately eight days of schedule disconnect. If the Offeror had been selected, it would have been required to either add schedule (affecting the DDI Schedule) to accommodate the State's non-working days or compress other activities to make up for these days (affecting Program Risk).

6.9 Changes to Offerors' Proposals as a Result of the BAFO

Because the Offerors had the opportunity to change elements of their Proposals as part of the BAFO, there were some items that had previously affected the scoring that were subsequently updated.

For CSC, the BAFO changes that had the most impact on best value were (in no particular order):

- The Offeror corrected the error in the planned duration of the User Acceptance Test. During face-to-face discussions on October 21, 2008, the Offeror stated that it was able to extend the User Acceptance Test to the full 90 business days required without lengthening the DDI schedule by using existing schedule slack. The reduction of slack, however, could contribute to an increase in risk.

- After the State sent a technical negotiation comment to both Offerors directing them not to schedule meetings or to count any of the days towards the State's assigned time for reviewing artifacts during the period from December 24 – January 1 each year (adjusted as necessary when in close proximity to weekends), CSC agreed to make the required updates but did not adjust all of the tasks in its IMS. In its BAFO, CSC corrected the remaining errors. During face-to-face discussions on October 21, the Offeror stated that it was able to correct these errors without lengthening the DDI schedule by using existing schedule slack. The reduction of slack, however, could contribute to an increase in risk.

For EDS, the BAFO changes that had the most impact on best value were (in no particular order):

- As stated in the Technical and Operations Solution scoring section, the Offeror's original Technical Proposal, its Updated Technical Proposal, and its BAFO did not comply with the requirement to identify the planned content of each of the staged deliveries during DDI.

  The following direction was provided to the Offeror in various forms (in relevant part provided):

  > **RFP Section 10.9:** "To reduce risk on the project, the State requires a staged-delivery process…Offerors shall describe their strategies for this process to include the number of stages and their contents…"
  >
  > **State's technical negotiation on comment EDS3 (4/18/08):** "On p. E-48, EDS proposes using a waterfall approach instead of a staged delivery approach…The Proposal must be updated to meet the State's requirement on development life-cycle."
  >
  > **State's technical negotiation response on comment EDS3 (4/30/08):** "In the face-to-face discussion on April 24, the Offeror provided two charts illustrating its proposed approach to the software development life-cycle…While the State feels the Offeror is making progress towards meeting the State's staged delivery requirements in this area, the information provided in the charts is not sufficient to conclude that the Offeror's approach meets the requirements. The State is not requiring any further information be submitted as part of negotiations, but it does not believe that the two charts and verbal conversation fully satisfied its concerns."
  >
  > **State's technical negotiation on comment EDS698 (4/18/08):** "The RFP requires a staged delivery where the State can test early releases of software. Additionally, the Offeror must provide appropriate training to support this testing.…[T]he proposal (as identified in the Training Approach and IMS) shows that training is provided after completion of system testing, and not available to support any earlier testing…The Proposal must be updated to meet the delivery, testing, and training requirements in the RFP and to clarify the dependencies between the various test activities."

  (Note: the documentation above was complete prior to the time of scoring. The documentation below was not available at the time of scoring. It was created during the tradeoff process and influenced the best value evaluation.)

While this weakness affected the Offeror's score in Technical and Operations Solution, because the Offeror's Updated Technical Proposal seemed to make some progress in this area, the Selection Committee assumed that the issue could be fully resolved in the BAFO process.

In this light, the State provided the following BAFO negotiation comment to EDS (in relevant part provided):

> **State's BAFO negotiation on comment EDS698 (10/13/08):** "The only place in the Updated Technical Proposal that the State could find training for the staged deliveries was on p. E-104 (Project Management Plan) which mentioned that a Business Analyst would lead informal training on feature-specific releases during this process. None of these events was identified in the IMS. Additionally, the State was unable to determine what the content of the stages would be from the IMP or IMS…The Offeror's BAFO must commit to supporting staged delivery testing, and it must identify the planned contents of each stage along with the training events needed to support this testing."

The Offeror's BAFO contained the following response:

> **Offeror's BAFO response to comment EDS698 (10/27/08):** "Further, we expect the initial content of the staged deliveries to be fluid because they are scheduled to occur during construction and system testing. Nothing causes a user to lose confidence more quickly than testing a component that is not ready. While we will provide the State with access to test the system during these 11 months, it will be in a controlled environment. The State will test those features that have fully passed EDS system testing. EDS will create test cases or scenarios for the State to follow. These scenarios will cover features and functions that have already passed the EDS unit and system tests. The State will be responsible for executing these tests, with support from the BA and GTO staff members assigned to the staged delivery testing sessions."

The Offeror's response above was a direct contradiction of the staged delivery requirement in the RFP. Additionally, the Selection Committee notes that, by design, staged delivery testing occurs only after the software is ready for testing. The Selection Committee had previously assumed that it could come to successful agreement with EDS on this issue during the BAFO negotiations. When the Offeror's BAFO did not resolve the weakness, the Selection Committee felt that this negatively affected the best value evaluation beyond just its effect on Technical and Operations Solution scoring. The Offeror's final solution remains inconsistent with the RFP requirements.

- The Offeror corrected the primary concerns over the intellectual property rights associated with its proprietary iTRACE tool; however, the Offeror's statement that it did not maintain additional documentation on the tool caused concern over the Offeror's development and documentation processes.

- The Offeror corrected the primary concerns over the State and Vendor roles and responsibilities during the User Acceptance Test.

- The Offeror corrected the primary concerns relating to the Vendor's assumption of the integrator role during DDI without resulting in a schedule adjustment.
- The Offeror significantly improved the delivery dates for the Operations Management Plan and the Deployment/Rollout Plan by moving the due dates well into the last year of DDI. This, however, left the Selection Committee questioning why the Offeror did not satisfy the State's concerns using this solution the first time it was presented during the technical negotiations.

Updated Prices. Each Offeror reduced its Total Price in its BAFO. The updated prices were:

- $265,204,474 for CSC
- $287,294,248 for EDS

In accordance with the Proposal Evaluation Plan, these updated prices were not rescored; however, the net result of the changes improved EDS' best value position because EDS reduced its price by a greater amount than CSC did. The difference in prices went from approximately $30.4 million at the time of scoring to approximately $22.1 million after the BAFOs.

6.10 Total Cost of Ownership

TCO is often difficult to calculate with precision, and it typically requires assumptions to be made. For the Replacement MMIS evaluation, the Proposal Evaluation Plan identifies the elements of cost that have been included in TCO. For reasonable comparison, the Proposal Evaluation Plan specifically excludes the costs associated with Offeror-proposed and State-directed options that vary from Offeror to Offeror because this would not allow for an "apples to apples" comparison of TCO. Furthermore, these costs were excluded because the State is not obligated to exercise options; therefore, the funds associated with an option are not required to be spent. Note that Offeror-proposed options were considered as part of the best value evaluation.

The following table identifies these key elements of TCO and the resulting calculations.

Cost Element	CSC	EDS	Notes
Offeror's Total Price	$265,204,474	$287,294,248	1
State's Internal DDI Costs	$16,858,792	$16,148,853	2
States Internal Operations Support Costs	$11,966,662	$11,966,662	3
Differential Legacy Support Costs Based on DDI Schedule	$3,326,754	$0	4
Other			
Pass-through postage costs	$2,156,000	$2,145,000	5
Pass-through credit card costs	$1,276,642	$1,276,642	
Pass-through credentialing database fees	$2,602,831	$2,558,458	5
Savings on existing/future automated pharmacy prior approval contract(s)	$0	($4,232,800)	6
Total Cost of Ownership	**$303,392,155**	**$317,157,063**	

Notes:

1. 09 NCAC 06A.0102 requires that Total Cost of Ownership include at least the elements of "purchase price, transportation, receiving and inspection, maintenance, operating costs, downtime, energy costs, and disposal costs." For this evaluation, these cost elements were assumed to be built into the Total Price so these cost elements were not listed as separate line items.

2. This is an estimate of the State's internal costs during DDI including the costs of the Office of MMIS Services, the DHHS Divisions, and other State agencies, as applicable.

3. This is an estimate of the State's internal costs to support the maintenance and upgrade of the MMIS as an IT system. This does not include the State's internal costs to operate the Medicaid program or any other benefit programs.

4. This accounts for the excess costs incurred by the State to support the Legacy fiscal agent contracts based on the difference between the Offeror's schedules. This value is baselined at zero for the Offeror with the shortest DDI Schedule.

5. The differences in costs here reflect that the two Offerors have different DDI schedules which result in different lengths of the Term of the Contract. As such, CSC actually performs slightly more services under the Contract than does EDS.

6. This savings represents a forward estimate of the costs of the State's existing contract for automated pharmacy prior approval services. The last option year of that contract completes in June 2012. The TCO estimate above uses the last year's price for that contract and estimates future services by inflating the last year forward through the end of the EDS proposed Contract Term. The cost is represented as savings

because the automated pharmacy prior approval was not an RFP requirement, and this value represents potential savings on another contract.

Additionally, there are certain optional elements of the Offeror's Proposals that could result in additional expenses or savings if the State chose to exercise those options. These costs are not included in the TCO calculations because they do not represent required expenditures to the State.

Cost Element	CSC	EDS	Notes
Replacement Phase Additional Functionality Pool	$22,000,000	$1,299,775	7
CSC option of automated provider data entry into the Legacy MMIS+	($151,975)	$0	8
EDS option of early implementation of Electronic Data Management System	$0	$1,613,586	9
EDS option for implementation of MEDai	$0	$2,931,600	10

7. The purpose of the Replacement Phase Additional Functionality Pool is to assist the State in budgeting for new requirements that may be directed or discovered during DDI, and to have pre-determined labor rates derived under competition. The State is not obligated to use any of this Pool, and if the Pool is depleted, the State can request additional work to be done under the same rate structure as that bid for the Pool. The State allowed the Offerors to propose the size of the Pool, and the Offerors took very different approaches in this task. There is no impact to this difference on TCO because the Pool is primarily a budgeting tool for the State rather than an obligation assumed by the State. Actual expenditures could be as little as zero if the State chose not to use any of the available Pool.

8. CSC proposed automating the entry into the Legacy MMIS+ of updated provider data captured during the early implementation of provider enrollment, credentialing, and verification. Because the State could not commit to the changes necessary on the Legacy MMIS+ side, it directed the Offeror to propose the automated solution as an option and a manual data entry approach in the base contract. The savings in the chart represents the net of development costs offset by operations savings should the State choose to exercise this option.

9. EDS proposed accelerating the required Electronic Data Management System capability into the Replacement Phase and using it to support the Legacy MMIS+. The value shown in the chart includes the price of that option—$1,853,586—offset by a potential savings of approximately $240,000 on the Legacy MMIS+ contract during the last year prior to implementation of the Replacement MMIS.

10. MEDai is a third-party modeling tool that can be used to perform data mining and analytics to predict trends and probabilities. This could allow the State to positively impact recipients' care while proactively controlling benefit expenditures. DHHS believes that MEDai is most useful to providers as a care management tool, but statutory changes would be required to encourage providers to participate in this type of activity.

7 Results of Best Value Tradeoff Evaluation

Upon completion of the scoring process and prior to the tradeoff evaluation, CSC was ranked first by scoring 2.4 points more than EDS as reflected in Section 5.7.

The Selection Committee evaluated the ranking derived from these scores along with the other four elements identified in Section 6 above to determine whether the ranking would be adjusted based on the tradeoff of price and non-price factors.

The Selection Committee came to the following conclusions:

- The Total Cost of Ownership for CSC was approximately $13.8 million less than for EDS even after including the savings impact of the EDS DUR+ capability. Since CSC had the lower TCO, this element did not change the ranking.

- When evaluating the strengths, superior solutions, weaknesses not previously applied to scoring, and the impacts of BAFO changes to the Offerors' proposed solutions, the net result was that the EDS Proposal did not add sufficient value to reverse the ranking obtained from the initial scoring.

After completing the best value tradeoff process, the Selection Committee determined that the ranking determined from the scores did not change.

8 Final Recommendation

The Selection Committee recommends the award of the Replacement MMIS Contract to CSC as it had the higher ranking as determined by the best value evaluation.

This page is intentionally left blank.

Appendix A. List of Evaluators

Evaluation Team		Selection Committee	
Member Name	**Division/Office**	**Member Name**	**Division/Office**
Amos, Cedric	OMMISS	Barnes, Roger	DMA
Baran, Mike	DMA	Ham, Rich (Chair)	OMMISS
Barnett, Kathie	OMMISS	Hayter, Thelma	DMH
Bowen, Deborah E.	DMA	Lumsden, Karen	OMMISS
Bright, Sharon	OMMISS	Neff, Gordon	OMMISS
Brownfield, Chuck	DMA	Pruitt, Linda	DMA
Gustafson, Linda	OMMISS	Riley, Ed	OMMISS
Holloway, Jackie	OMMISS		
Horrell, Pamela	OMMISS		
Kotrannavar, Rajeev	OMMISS		
Leinwand, Sharman	DMA/OMMISS		
Lumsden, Karen (Lead)	OMMISS		
Marsh, Ken	DMH		
McNair, LaTeshia	OMMISS		
McQueen, Cheryl	DMH		
Moore, Richard	OMMISS		
Murphy, Jim	OMMISS		
Nobles, Travis	DMH		
Pyatt, Bernadette	OMMISS		
Vink, Randall	OMMISS		
Ward, Susan Brown	OMMISS		