1 INTRODUCTION

The State of North Carolina Department of Health and Human Services (NCDHHS) requests Cost Proposals for the development and implementation of a Replacement Medicaid Management Information System (MMIS) by a Vendor, who shall also operate the system and perform other Medicaid-related functions as the State's Fiscal Agent. This request is Step Two of the two-step procurement process set forth in Request for Proposal (RFP) 30-DHHS-1228-08 and is subject to all the terms and conditions of the Final RFP dated December 5, 2007 (30-DHHS-1228-08-R), as amended.

All pricing proposed by the Offeror in response to this Request for Cost Proposals shall remain firm and constant during the entire Contract and any extensions, except as otherwise provided in the RFP.

2 APPROACH TO PRICING

The State's approach to pricing is:

- During the Replacement Phase, prices must be allocated to those activities generating the costs, where practical. Offerors shall propose a payment schedule that identifies milestones and deliverables and allocates prices that are proportionate to the costs required to achieve each milestone or deliverable, to include appropriate shares of level-of-effort tasks, indirect costs, and other similar costs. Prices for provider enrollment, credentialing, and verification operations activities during the Replacement Phase shall be priced separately from the Design, Development, and Installation (DDI) activities and shall be invoiced per-event based on the services provided. Prices for Retrospective Drug Utilization Review (RetroDUR) Operations shall be priced separately from DDI and operations activities, and shall be priced as a monthly fee and invoiced monthly. For other services that the Offeror proposes to provide during the Replacement Phase, the Offeror shall set forth separate pricing for the Offeror's provision of those services during the Replacement Phase, but the Offeror shall set forth separate pricing for design, development or installation related to such a service only if the service was newly proposed by the Offeror (i.e., the service is not required by the RFP).
- During the Operations Phase, prices will be allocated to fiscal agent activities; provider enrollment, credentialing, and verification activities; recipient management for certain programs where some recipients share costs; RetroDUR activities; and additional training activities (above the minimum number of training events required by the RFP). Within the fiscal agent activities, prices will be split into fixed and variable, and for each type of Contractor Billable Unit (CBU) the variable prices shall be indicated as a continuous function of the number of CBUs completed during the period to be invoiced. Offerors shall price provider enrollment, credentialing, and verification services per-event based on the services provided. Offerors shall price recipient management services on a per-

recipient basis for recipients with cost-sharing requirements and for recipients without cost-sharing requirements. RetroDUR will be priced as a monthly fee. Offerors shall not separately price *required* training events, which shall be covered by the Offeror's overall pricing for fiscal agent activities; however, Offerors shall price events beyond the required, minimum number of events on a per-event basis.

- During the Turnover Phase, prices must be allocated to those activities generating the costs, where practical. Offerors shall propose a payment schedule that identifies milestones and deliverables and allocates prices that are proportionate to the costs required to achieve each milestone or deliverable, to include appropriate shares of level-of-effort tasks, indirect costs, and other similar costs.
- Offerors will be allowed to take exceptions in their Cost Proposals to the terms, conditions and requirements set forth in the RFP. The State will consider for acceptance only those exceptions which offer value to the State. To aid the State in this evaluation, Offerors shall itemize the price savings of each exception in their Cost Proposals. The potential value of these exceptions will be evaluated as part of the best value analysis, and will not enter into calculation or scoring of the Offeror's Total Price. Prices on tables shall not be adjusted for exceptions except on the single table specifically provided for this purpose. Exceptions proposed by an Offeror must be identified as negotiable or non-negotiable. If the State determines that it is in its best interest to reject any exception that the Offeror has designated as non-negotiable, the Offeror may be eliminated from consideration without any further discussion.

Further information concerning the State's financial objectives can be found in Section 10.5 of RFP 30-DHHS-1228-08-R.

3 BASES OF ESTIMATES

As described in Section 10.5 of the RFP, the State has an objective to receive fair prices at the time of solicitation as well as throughout the life of the contract and to improve the repeatability of arriving at a fair price. To assist with this, Offerors shall thoroughly describe their bases of estimates (BOEs) in conjunction with all submissions in the Cost Proposal, and the successful Offeror shall continue this practice throughout the life of the Contract.

Each pricing table shall have a basis of estimate associated with it unless otherwise directed in this document. The State is interested in the *quality* of the BOEs rather than the *volume* of information provided. The information provided must be sufficient such that a reasonably informed person could draw similar conclusions as the Offeror. Offerors may use estimates driven by bottom up analysis, analogy, parametric modeling, statistical modeling, or any combination of these or other appropriate methods and apply expert judgment where applicable. Note that when using the analogy method, comparisons should be made to *actual* results (e.g., actual labor hours

on a project), not proposed quantities (i.e., those included in a previous proposal by the Offeror).

Each major element of a BOE should identify:

- Assumptions having a significant impact on the estimate
- Method(s) of estimation
- Pertinent actual data and the source(s) of data used (e.g., previous projects, parametric models used, etc.)
- Adjustments made to account for risk (particularly the risk assumed by the Offeror on efforts with fixed prices)
- Results of the estimate
- Software-related BOEs must address at least:
    - Software sizing in terms of new, modified, reused, and deleted software
    - Other pertinent measurements of the scope of work (e.g., creation of training materials)
    - Productivity estimates and how they drive labor estimates
    - Derivation of labor quantities and costs
    - Derivation of material/non-labor costs
- Operations-related BOEs must address at least:
    - Derivation of labor quantities
    - Derivation of labor productivities
    - Derivation of material/non-labor costs

Offerors may submit bases of estimates in any reasonable format that is easy to understand and that includes, at a minimum, the above elements. They should not be included on the same pages as the pricing tables.

4 STATE FISCAL YEAR VERSUS CONTRACT YEAR PRICES

Because the State is not mandating a particular DDI schedule and because the Replacement Phase and Operations Phase contract years are unlikely to be aligned with State fiscal years (SFYs), the State is not able to align expected service quantities (stated by SFY) with the Offerors' contract schedules. For this reason, with respect to all services that are unit-priced and for which prices will be adjusted annually, the Offeror must indicate prices by SFY and totaled by contract year.

The itemized prices proposed by SFY will be used for invoicing purposes after contract award (i.e., services rendered in SFY 12/13 will be invoiced at the proposed SFY 12/13 prices). For the purposes of scoring, the State will use annual prices that are aligned with the Offeror's contract schedule. To arrive at these annual prices, Offerors are

required to prorate both anticipated service quantities and proposed unit prices across fiscal years to achieve prices aligned with contract years. After this proration, Offerors must compute a total proposed price for the service by multiplying the prorated service quantity by the prorated service price.

For example, assume the contract year starts on November 1. If the State estimates the following service levels:

SFY 12/13 100 units/year

SFY 13/14 120 units/year,

and if the Offeror's unit prices by fiscal year are:

SFY 12/13 $10/unit

SFY 13/14 $10.50/unit,

then the Offeror's unit and total prices for the contract year beginning on November 1, 2012 would be calculated as follows:

Volume of service = 106.7 ≈ 107 (242 days @100 and 123 days @120)

Price of service ≈ $10.168/unit (242 days @$10 and 123 days @ $10.50)

Total price for contract year = 107 units x $10.168/unit = $1087.98

When the services were actually rendered, they would be billed at $10/unit during SFY 12/13 and at $10.50/unit during SFY 13/14; however for evaluation purposes, the cumulative annual price determined through proration will be used. Offerors should note that payment for services with itemized prices will be made using *actual* service quantities in accordance with payment instructions in RFP Section 30.

The number of State Fiscal Years included in the pricing tables may exceed the Term of the Contract. **Unless otherwise stated in the instructions for a particular pricing table, Offerors shall propose prices for all years, even if outside their proposed Contract Terms.** The purpose of this is to reduce the likelihood of needing to renegotiate prices, as well as to grant the State a binding price option (subject to adjustment pursuant to RFP Sections 20.5, 30.6.4, 30.31(d) and 30.40.2.3) that shall be exercisable in the event that the DDI effort is extended unexpectedly for some reason, such as needing to incorporate modifications due to the impact of regulatory or legislative changes, etc.Note that the Replacement Phase contract year will start with contract award, and the Operations Phase contract year will start on the Operational Start Date (Targeted Operational Start Date for evaluation purposes).

5 PRICING TABLE PREPARATION

When submitting the Cost Proposal, the Offeror shall submit its pricing on the Pricing Tables contained in *Attachment One: Replacement MMIS Pricing Tables*. Information contained on the pricing tables shall be considered "cost information" in the meaning of 09 NCAC 06B.1001 and shall not be designated CONFIDENTIAL under RFP Section 30.27.

Failure to use the attached Pricing Tables and/or to submit all of the requested information and bases of estimates (as defined in Section Four above) may result in the Cost Proposal being deemed non-responsive.

All costs and cost information shall be displayed on the Pricing Tables and attachments as specified above. Costs or discounts expressed in any area or section of the Cost Proposal other than those on the attached Pricing Tables shall not be scored, but may be considered as a part of best value. Conversely, the Offeror assumes the risk of failure to include a cost in the Pricing Tables.

Proposal pricing for the Replacement MMIS is divided into the following sections:

Phase/Activity	Table Name
Replacement Phase - DDI	
	Replacement MMIS Pricing Table A, Replacement Phase – DDI Milestone/Deliverable Payments
	Replacement MMIS Pricing Table B, Replacement Phase - RFP Requirements Allocation Table, Non-Title XIX-XXI
	Replacement MMIS Pricing Table C, Replacement Phase - RFP Requirements Allocation Table, North Carolina Health Choice
	Replacement MMIS Pricing Table D, Replacement Phase - RFP Requirements Allocation Table, Ticket to Work
	Replacement MMIS Pricing Table E, Replacement Phase - DDI Marginal Price of Non-Title XIX/XXI Requirements
	Replacement MMIS Pricing Table F, Replacement Phase - DDI Marginal Price of Legislatively-Mandated Requirements
	Replacement MMIS Pricing Table G, Replacement Phase - All-Inclusive Hourly Rates and Pool Size for Personnel Performing Modifications for the Replacement Phase Additional Functionality Pool
Operations Phase	
	Replacement MMIS Pricing Table H, Operations Phase - Anticipated Volume
	Replacement MMIS Pricing Table I Operations Phase - Fixed Price Per Day Due to Fixed Costs by State Fiscal Year

Phase/Activity	Table Name
	Replacement MMIS Pricing Table J, Operations Phase - Variable Pricing for Non-Pharmacy FCBU and ECBU by State Fiscal Year
	Replacement MMIS Pricing Table K, Operations Phase - Variable Pricing for Pharmacy FCBU by State Fiscal Year
	Replacement MMIS Pricing Table L, Operations Phase - CBU Price, Summary by Contract Year
	Replacement MMIS Pricing Table M1, Operations Phase - Recipient Management Fixed Price Per Day Due to Fixed Costs by State Fiscal Year
	Replacement MMIS Pricing Table M2, Operations Phase - Variable Pricing for Recipient Management by State Fiscal Year
	Replacement MMIS Pricing Table N, Operations Phase - Recipient Management, Prices by Contract Year
	Replacement MMIS Pricing Table O, Operations Phase - All-Inclusive Hourly Rates for Personnel Performing Operations Phase Modifications
	Replacement MMIS Pricing Table P, Operations Phase - Size of Operations Phase Modification Pool
	Replacement MMIS Pricing Table Q, Operations Phase - Unit Prices for Additional Training
Turnover Phase	
	Replacement MMIS Pricing Table R, Turnover Phase - Milestone/Deliverable Payment Table
Provider Enrollment Credentialing and Verification	
	Replacement MMIS Pricing Table S, Estimated Provider Enrollment, Credentialing, and Verification, Itemized Prices by State Fiscal Year
	Replacement MMIS Pricing Table T, Estimated Provider Enrollment, Credentialing, and Verification, Prices by Contract Year

Phase/Activity	Table Name
Retrospective Drug Utilization Review	
	Replacement MMIS Pricing Table U, Retrospective Drug Utilization Review - Prices for RetroDUR by State Fiscal Year and Contract Year
Data Center Operations	
	Replacement MMIS Pricing Table V, Data Center Operations
Offeror-Proposed Optional Initiatives	
	Replacement MMIS Pricing Table W, Offeror-Proposed Options - Option Summary
State-Funded Enterprise License Requirements	
	Replacement MMIS Pricing Table X, State-Funded Enterprise Licensing Requirements
Offeror Exceptions	
	Replacement MMIS Pricing Table Y, Offeror Exceptions Table
Contract Summary	
	Replacement MMIS Pricing Table Z, Summary of Proposed Prices

5.1 Pricing Tables for the Replacement Phase – DDI

5.1.1 Replacement MMIS Pricing Table A, Replacement Phase - DDI Milestone/Deliverable Payments

The purpose of Replacement MMIS Pricing Table A is to obtain the Offeror's proposed payment milestones and deliverables, the associated percentage of payment, and the actual payments to be applied following achievement of the milestone and/or acceptance of a deliverable. The payment percentage associated with each milestone or deliverable shall be proportionate to the effort required to achieve those milestones and deliverables and shall include allocations for level-of-effort tasks, such as project management and systems engineering, as well as indirect and non-labor costs. The allocation of payments shall track to the Integrated Master Schedule (IMS), and the

milestones and deliverables shall each correspond to a specific line and corresponding date on the IMS. Per RFP Section 10.8, these dates are contractually binding and will be used to compute any retainage as described in RFP Section 30.30. **This table will be considered in the evaluation.**

The Offeror shall enter its name in the top center of the table.

The Offeror shall complete Replacement MMIS Pricing Table A by including its proposed milestones and deliverables and relative proposed payment percentage for each, including the associated price and anticipated invoice date. The anticipated invoice date shall be defined as the *contract* month (not calendar month) relative to contract award where the month and day of contract award are considered to be month one and day one. The Offeror may add or delete table rows as necessary to reflect all Replacement Phase Milestones/Deliverables. The relative percentage column shall total 100 percent.

The BOE for this table must include how the Offeror derived the price and how the payment amounts were allocated to the milestones and deliverables. Offerors shall clearly identify, in the BOE, costs associated with developing reports, letters and labels required by the RFP.

The State has pre-entered formulas to automatically fill out this table; however, Offerors are responsible for ensuring that the prices entered on this table are accurate and consistent with the other tables in the Cost Proposal.

5.1.2 Replacement MMIS Pricing Tables B, C, and D, Replacement Phase - RFP Requirements Allocation Tables for Non-Title XIX/XXI (Table B), North Carolina Health Choice (Table C), and Ticket to Work (Table D)

The purpose of Replacement MMIS Tables B, C, and D is to provide information on categorization of certain requirements for which the State needs marginal pricing for State or Federal purposes in Tables E and F. These tables list the RFP requirements associated with Non-Title XIX/XXI, North Carolina Health Choice, and Ticket to Work respectively. **These tables are for informational purposes only.**

5.1.3 Replacement MMIS Pricing Table E, Replacement Phase - DDI Marginal Price of Non-Title XIX/XXI Requirements

The purpose of Replacement MMIS Pricing Table E is to assist the State in properly requesting Federal Financial Participation (FFP) based on those requirements which do not address Title XIX or Title XXI needs. **This table is for informational purposes only.**

The Offeror shall enter its name in the top center of the table.

Offerors shall identify the marginal price of DDI activities for the requirements in Replacement MMIS Pricing Table B as *Non-Title XIX/XXI*. These prices should reflect only those labor and non-labor costs that would not exist if the non-Title XIX/XXI

requirements were removed from the RFP. The State has marked certain business areas as not applicable (N/A) since they do not contain any applicable requirements. Prices for these requirements must also be included in the total price identified in Table A.

The total price for the non- Title XIX/XXI requirements shall be entered at the bottom of the table. The BOE for this table need only include the calculations and method of deriving the marginal prices, as long as other required BOE information for the Replacement Phase is included with the other Replacement Phase tables, as necessary.

The State has pre-entered formulas to automatically fill out this table; however, Offerors are responsible for ensuring that the prices entered on this table are accurate and consistent with the other tables in the Cost Proposal.

5.1.4 Replacement MMIS Pricing Table F, Replacement Phase - DDI Marginal Price of Legislatively-Mandated Requirements

The purpose of Replacement MMIS Pricing Table F is to assist the State in properly reporting on requirements mandated by the North Carolina General Assembly in Session Law 2008-107. **This table is for informational purposes only.**

Per Session Law 2008-107, “The Department must have detailed cost information for each requirement before signing the contract.” Note that the term “requirements” in the statute is interpreted to mean benefit programs as distinguished from RFP requirements.

The Offeror shall enter its name in the top center of the table.

Offerors shall identify the marginal prices of specific benefit programs as identified in the chart. Replacement MMIS Pricing Tables C and D identify which RFP requirements fall into each category. These prices should reflect only those labor and non-labor costs that would not exist if these benefit programs and RFP requirements were removed from the RFP. Note that ***only costs associated with solutions required to support RFP requirements published in Addendum 5 to RFP 30-DHHS-1228-08-R, as applied to the mandated benefit programs, should be allocated to these categories*** as these requirements were in published response to the legislation. Costs for effort not directly related to individual RFP requirements in the Addendum but needed to develop one of the mandated benefit programs (e.g., benefit program configuration, testing, etc.) may be allocated to each of the benefit programs, as applicable, even if specific RFP requirements are not allocated to each benefit program. For example, benefit program configuration costs associated with Kids Care should be allocated to Kids Care even though there are no unique RFP requirements allocated solely to Kids Care. Prices on this table must also be **included** in the total price identified in Table A.

The BOE for this table need only include the calculations and method of deriving the marginal prices, as long as other required BOE information for the Replacement Phase is included with the other Replacement Phase tables, as necessary.

5.1.5 Replacement MMIS Pricing Table G, Replacement Phase - All-Inclusive Hourly Rates and Pool Size for Personnel Performing Modifications for the Replacement Phase Additional Functionality Pool

The purpose of Replacement MMIS Pricing Table G is to obtain rates for personnel performing work for new functionality identified as clearly out of scope during the Replacement Phase. The State shall assume that these rates apply to work done by full-time Vendor personnel unless the Offeror identifies otherwise. As clarified in Addendum 10 to the original RFP, the Pool is not intended to be bid as a fixed price activity, nor is the Vendor required to maintain the staff "at the ready" in absence of work assigned to the Pool. **This table will be considered in the evaluation;** however, the size of the Pool will not be used in calculating the Offeror's Total Price as defined in Section 60.2.

The Offeror shall enter its name in the top center of the table.

The Offeror shall list each position type it expects to involve in performing work on new functionality, and the relative percent of typical use for each, based upon the Offeror's historical experience with DDI and expectations for this contract. The Offeror may add or delete table rows as necessary to reflect all positions. The relative percent of typical use for each position shall total 100 percent. The Offeror shall complete the hourly rate columns in this table for each year it is proposing for the Replacement Phase (rounded up to the next whole year) *and for two additional years*.

The Offeror shall also identify the proposed size of this Pool (in dollars and estimated hours) in the specified cell on the pricing table.

Since the rates are being established in a competitive environment, Offerors are not required to describe the various components making up the individual rates. However, the BOE for this table shall include a description of how the "Percent Typical Use" was derived for each labor position type. Offerors must also explain how they derived the proposed size of the Pool.

The State has pre-entered formulas to automatically fill out this table; however, Offerors are responsible for ensuring that the prices entered on this table are accurate and consistent with the other tables in the Cost Proposal.

5.2 Pricing Tables for the Operations Phase

5.2.1 Methodology

For the general fiscal agent operations, prices will be split into fixed and variable components. These components will be based on the expected CBU volume per year,

but shall be priced and invoiced monthly based on average daily volume during the invoicing period. This methodology will simplify billing for partial months and months in which the rates change mid-month. Variable costs will be based on a continuous model to allow flexibility and easy calculation. Figure 1 below illustrates this concept.

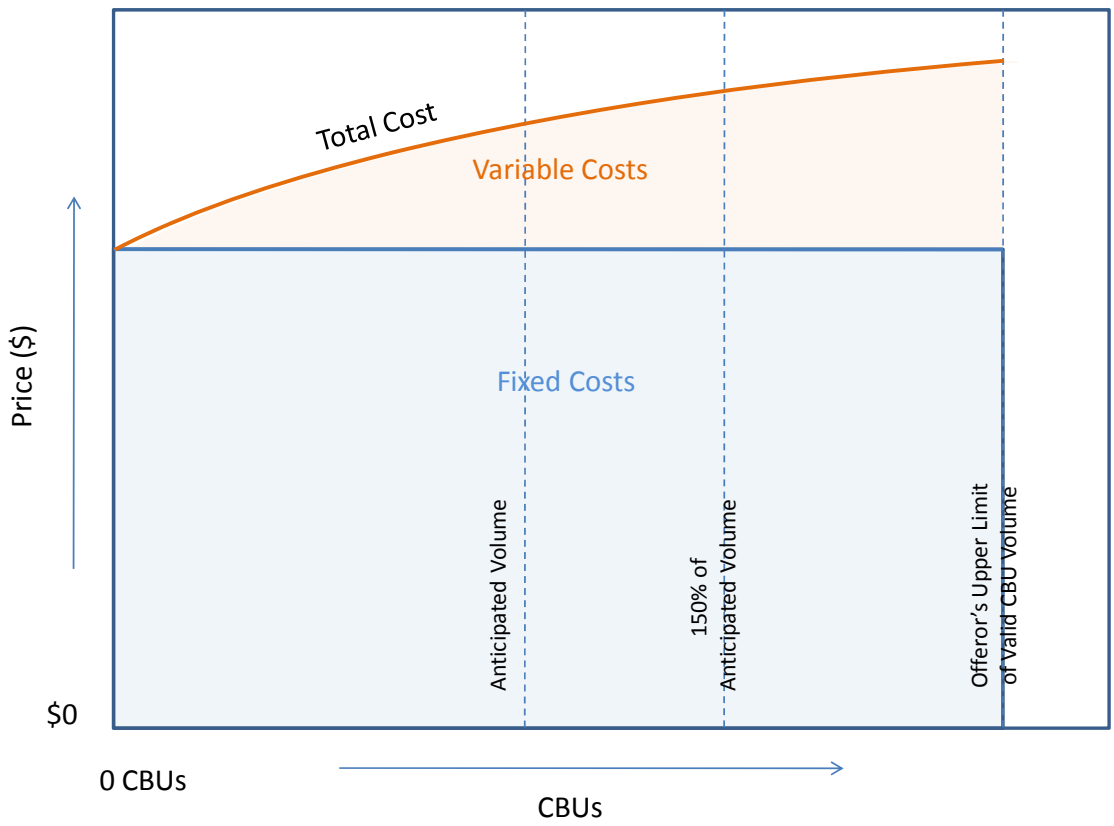

Figure 1. Fixed and Variable Costs

For the variable costs, the following model shall be used:

- Cost per CBU = AV + B where A is the rate of change of the price per CBU **(zero or less)**, B is the initial price per CBU at zero volume, and V is the anticipated daily CBU volume

The models shall be valid down to a volume of zero claims and must be valid up to at least 50% more claims than the anticipated volume ("Offeror's Upper Limit of Valid CBU Volume"). Offerors may extend the validity of their models beyond this 50% minimum, and the State will consider these extensions as part of its best value analysis.

By using a slope of zero for A, an Offeror may propose a constant price per CBU across the entire valid range. By using a slope of less than zero, an Offeror may propose a

decreasing cost per CBU as the CBU volume increases in the valid range. This would reflect an economy of scale.

Figure 2 shows the variable price concept graphically.

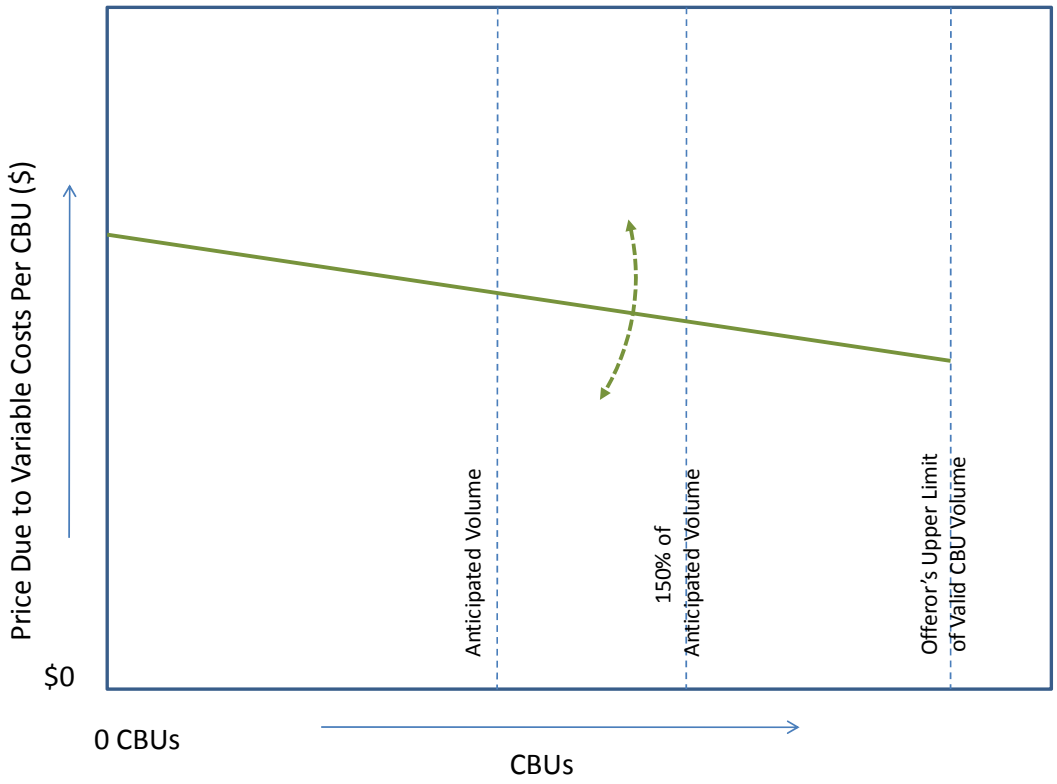

Figure 2. Variable Price Model

For monthly invoicing, the invoice price shall be calculated as follows:

$$P_{total} = P_{fixed} N + (A_{NPh} V_{avgNPh} + B_{NPh})V_{NPh} + (A_{Ph} V_{avgPh} + B_{Ph})V_{Ph}$$

Where

P_{total} is the invoice price,

P_{fixed} is the fixed price per day due to fixed costs,

N is the number of days in the invoice period,

A_{NPh} is the rate of change in variable price per non-pharmacy CBU,

B_{NPh} is the initial price per non-pharmacy CBU at zero volume,

V_{avgNPh} is the average daily volume of non-pharmacy CBUs completed during the invoice period to the nearest whole number,

V_{NPh} is the total volume of non-pharmacy CBUs completed during the invoice period,

A_{Ph} is the rate of change in variable price per pharmacy CBU,

B_{Ph} is the initial price per pharmacy CBU at zero volume,

V_{avgPh} is the average daily volume of pharmacy CBUs completed during the invoice period to the nearest whole number,

5.2.2 V_{Ph} is the total volume of pharmacy CBUs completed during the invoice period. Replacement MMIS Pricing Table H, Operations Phase - Anticipated Volume

The purpose Replacement MMIS Pricing Table H is to provide information on the estimated number of CBUs per year by type. These estimates shall be used in completing Tables I, J, and K. These data are based on the State's prediction of volume in the future and are not guaranteed to be accurate during the conduct of the contract. **This table is for informational purposes only.**

5.2.3 Replacement MMIS Pricing Table I, Operations Phase - Fixed Price Per Day Due to Fixed Costs by State Fiscal Year

The purpose of Replacement MMIS Pricing Table I is to obtain the firm fixed price for fiscal agent operations and maintenance on a daily basis for each SFY of the Contract. There are more fiscal years included than are likely to be needed, but Offerors must propose rates for each of the years. This is being done to reduce the likelihood of needing re-negotiation should the DDI effort be extended unexpectedly for some reason, such as needing to incorporate modifications due to the impact of regulatory or legislative changes, etc. **This table will be considered in the evaluation.**

The Offeror shall enter its name in the top center of the table.

The Offeror shall include the fixed costs of all personnel, equipment, facility, and other costs required to comply with the requirements in the RFP and all other RFP terms and conditions and general responsibilities related to the Operations Phase. It shall exclude the variable costs associated with changing volumes of CBUs; the costs associated with provider enrollment, credentialing, and verification (but shall include system maintenance and other general fiscal agent activities associated with provider operations); the costs associated with RetroDUR operations; and the costs associated with recipient management operations as identified in Table M.

The BOE for this table shall describe the Offeror's methods and results used to derive the fixed price due to fixed costs.

The State has pre-entered formulas to automatically fill out this table; however, Offerors are responsible for ensuring that the prices entered on this table are accurate and consistent with the other tables in the Cost Proposal.

5.2.4 Replacement MMIS Pricing Tables J and K, Operations Phase - Variable Pricing for Non-Pharmacy FCBU and ECBU (Table J), and Pharmacy FCBU (Table K), by State Fiscal Year

The purpose of these two tables is to obtain the variable costs driven by the Non-Pharmacy FCBUs and ECBUs, and Pharmacy FCBUs. **These tables will be considered in the evaluation.**

For each of these tables, the Offeror shall enter its name in the top center of the table.

For each of these tables, the Offeror shall enter "Coefficient A" and "Coefficient B" (i.e., the values of 'A' and 'B' in the variable cost equation in Section 5.2.1 above) values for each SFY to calculate the table entries. These values may differ between the two tables. Using these coefficients and the anticipated average daily volume provided by the State, the Offeror shall compute and enter the "Average Daily Price at Anticipated Volume" for each SFY. Additionally, the Offeror must identify the "Upper Limit of Valid CBU Average Daily Volume." This value signifies the highest average daily volume during a billing period for which the Offeror is willing to commit to the variable pricing model. The anticipated volume is equivalent to 100%, and the minimum value for this column is 150%. Offerors may increase this commitment level, and the State will evaluate this commitment as part of its best value analysis. The commitment level may differ between the two tables.

For the purposes of calculating proposed prices and invoicing, the CBU prices, expressed in dollars per CBU, shall be carried out to no more than six significant digits (significant figures).

The BOEs for these tables shall describe the Offerors methods and calculations used to derive these prices.

5.2.5 Replacement MMIS Pricing Table L, Operations Phase - CBU Price, Summary by Contract Year

The purpose of Replacement MMIS Pricing Table L is to summarize the prices from other pricing tables and allocate the prices from the SFY-oriented tables to the Offeror's contract years based on its Targeted Operational Start Date. **This table will be considered in the evaluation.**

The Offeror shall enter its name in the top center of the table.

The Offeror shall compute and enter the prices due to fixed costs and variable costs in the appropriate columns taking care in the conversion to address which years have 365 days and which have 366 days. The totals for each of the four years of operations and the additional optional year shall be entered in the "Total Fixed Price per Operations Year" column.

The BOE for this table need only verify that the calculations for each of the entries are consistent with the other pricing tables.

The State has pre-entered formulas to automatically fill out this table; however, Offerors are responsible for ensuring that the prices entered on this table are accurate and consistent with the other tables in the Cost Proposal.

5.2.6 Replacement MMIS Pricing Table M1, Operations Phase – Recipient Management Fixed Price Per Day Due to Fixed Costs

The purpose of Replacement MMIS Table M1 is to obtain the fixed prices due to fixed costs for recipient management operations for benefit programs identified by the State (currently including the North Carolina Health Choice, Kids Care, Ticket to Work/Health Coverage for the Workers with Disabilities, and the Community Alternatives Program for Persons with Mental Retardation/Developmental Disabilities (CAP-MR/DD) and CAP Children's Program (CAP/C)). **This table will be considered in the evaluation.**

The Offeror shall enter its name in the top center of the table.

The Offeror shall price services in this table on a per day basis and include the fixed costs of all personnel, equipment, facility, and other costs required to comply with the requirements in the RFP and all other RFP terms and conditions and general responsibilities related to recipient management for the required benefit programs. It shall exclude the variable costs associated with changing volumes of recipients. It shall also exclude costs associated with recipient management that are not exclusive to the management of the benefit programs identified above. These non-exclusive costs should be included in Tables I, J, K, and L, as applicable.

The BOE for this table shall describe the Offeror's methods and results used to derive the fixed price due to fixed costs.

The State has pre-entered formulas to automatically fill out this table; however, Offerors are responsible for ensuring that the prices entered on this table are accurate and consistent with the other tables in the Cost Proposal.

5.2.7 Replacement MMIS Pricing Table M2, Operations Phase – Variable Pricing for Recipient Management by State Fiscal Year

The purpose of Replacement MMIS Table M2 is to obtain the variable costs for recipient management for benefit programs identified by the State (currently including the North Carolina Health Choice, Kids Care, Ticket to Work/Health Coverage for the Workers with Disabilities, and the Community Alternatives Program for Persons with Mental Retardation/Developmental Disabilities (CAP-MR/DD) and CAP Children's Program (CAP/C)). **This table will be considered in the evaluation.**

The Offeror shall identify the Offeror Name in the top center of the table.

Offerors shall identify the variable price per recipient per day being managed using two formulas: one for recipients with no premium payment responsibilities and one for

recipients with premium payment responsibilities. These prices shall be quoted per recipient per day by SFY.

For pricing the variable costs associated with the management of recipients with no premium payment responsibilities, the following model shall be used:

- Cost per recipient per day = AV + B where A is the rate of change of the price per recipient **(zero or less)**, B is the initial price per recipient per day at zero volume, and V is the number of non-premium paying recipients managed

For pricing the variable costs associated with the management of recipients with premium paying responsibilities, the following model shall be used:

- Cost per recipient per day = CV + D where C is the rate of change of the price per recipient **(zero or less)**, D is the initial price per recipient per day at zero volume, and V is the number of premium paying recipients managed

As with CBU pricing, using a value of zero for coefficients A or C will result in a constant price per recipient per day for the applicable category of recipient, and using a value of less than zero will apply an economy of scale to the prices. For this table, the Offeror shall enter "Coefficient A," "Coefficient B," "Coefficient C," and "Coefficient D" values for each SFY to calculate the table entries. The coefficients shall use no more than six significant digits (significant figures). Using these coefficients and the anticipated number of recipients provided by the State, the Offeror shall compute and enter the "Average Daily Total Price at Anticipated Volume" each for non-premium paying and premium paying recipients for each SFY.

For monthly invoicing, the invoice price shall be calculated as follows:

$$P_{total} = N\,[P_{fixed} + (AV_{avgNP} + B)V_{avgNP} + (CV_{avgP} + D)V_{avgP}]$$

Where

P_{total} is the invoice price,

N is the number of days in the invoice period,

P_{fixed} is the fixed price per day due to fixed costs for recipient management,

A is the rate of change of the price per recipient for premium paying recipeients,

B is the initial price per recipient per day at zero volume for premium paying recipients,

V_{avgNP} is the average number of non-premium paying recipients being managed during the invoice period to the nearest whole number.

C is the rate of change of the price per recipient for non-premium paying recipients,

D is the initial price per recipient per day at zero volume for non-premium paying recipients,

V_{avgP} is the average number of premium paying recipients being managed during the invoice period to the nearest whole number,

Additionally, the Offeror must identify the "Upper Limit of Valid Recipient Average Daily Volume." This value signifies the highest average daily volume during a billing period for which the Offeror is willing to commit to the variable pricing model. The anticipated volume is equivalent to 100%, and the minimum value for this column is 150%. Offerors may increase this commitment level, and the State will evaluate this commitment as part of its best value analysis. The commitment level may differ between the recipient types.The BOE for this table shall describe how the variable prices were derived.

5.2.8 Replacement MMIS Pricing Table N, Operations Phase – Recipient Management, Prices by Contract Year

The purpose of Replacement MMIS Pricing Table N is to obtain prices for recipient management of select recipients (identified in the previous two sections) by contract year at the anticipated volumes of recipients using the Offeror's Targeted Operational Start Date. **This table will be considered in the evaluation.**

The Offeror shall enter its name in the top center of the table.

The Offeror shall compute and enter the prices for recipient management in the appropriate columns taking care in the computation to address which years have 365 days and which have 366 days.

The BOE for this table need only verify that the calculations for each of the entries are consistent with the other recipient management pricing table as long as other required BOE information for the recipient management is included with Table M.

5.2.9 Replacement MMIS Pricing Table O, Operations Phase - All-Inclusive Hourly Rates for Personnel Performing Operations Phase Modifications

The purpose of Replacement MMIS Pricing Table O is to obtain rates for personnel performing system modifications during the Operations Phase. The State shall assume that these rates apply to work done by full-time personnel unless the Offeror identifies otherwise. **This table will be considered in the evaluation.**

The Offeror shall enter its name in the top center of the table.

The Offeror shall list each position type it expects to involve in performing work on new functionality, and the relative percent of typical use for each, based upon the Offeror's expectation for operations modifications. The Offeror may add or delete table rows as necessary to reflect all positions. The relative percentage of typical use for each position shall total 100 percent. The Offeror shall complete the hourly rate columns in this table for each year starting with the SFY in which the Targeted Operational Start Date occurs.

Since the rates are being established in a competitive environment, Offerors are not required to describe the various components making up the individual rates. However, the BOE for this table shall include a description of how the "Percent Typical Use" was derived for each labor position type.

The State has pre-entered formulas to automatically fill out this table; however, Offerors are responsible for ensuring that the prices entered on this table are accurate and consistent with the other tables in the Cost Proposal.

5.2.10 Replacement MMIS Pricing Table P, Operations Phase - Size of Operations Phase Modification Pool

The purpose of Replacement MMIS Pricing Table P is to obtain the estimated size of the Operations Phase Modification Pool based on a fixed dollar amount identified by the State on each line. **This table will be considered in the evaluation.**

The Offeror shall enter its name in the top center of the table.

The Offeror shall use the "Percent Typical Use" and the prorated hourly costs for the appropriate SFYs to estimate the number of hours of modification effort the Offeror could provide for the given dollar amount each year.

The BOE for this table need only contain the calculations used to derive the estimated pool size in hours for each contract year.

5.2.11 Replacement MMIS Pricing Table Q, Operations Phase - Unit Prices for Additional Training

The purpose of Replacement MMIS Pricing Table Q is to obtain fixed prices for additional training classes above that required in Section 40 of the RFP. **This table will be considered in the evaluation.**

The Offeror shall enter its name in the top center of the table.

The Offeror shall enter the price per additional class by type (as described in requirements 40.1.2.81 and 40.1.2.86) in the appropriate columns starting with the SFY in which the Targeted Operational Start Date occurs.

The BOE for this table shall describe how the unit prices were derived. References to the BOE for Table I are acceptable as long as the BOE for that table adequately describes the derivation.

5.2.12 Update to Payment Approach

In order to implement the improvements in pricing and payment strategy described above, certain portions of the RFP must be updated. The changes to RFP 30-DHHS-1228-08-R contain updated payment terms and conditions and shall be forwarded to the Offerors under separate cover.

5.3 Replacement MMIS Pricing Table R, Turnover Phase - Milestone/Deliverable Payment Table

The purpose of Replacement MMIS Pricing Table R is to obtain the Offeror's proposed payment milestones and deliverables and associated percentage of payment to be applied following achievement of the milestone and/or acceptance of a deliverable. The payment percentage associated with each milestone or deliverable shall be proportionate to the effort required to achieve those milestones and deliverables and shall include allocations for level-of-effort tasks such as project management and systems engineering as well as indirect and non-labor costs. The allocation of payments shall track to the Integrated Master Schedule (IMS) for the Turnover Phase, and the milestones and deliverables shall each correspond to a specific line and corresponding date on the IMS. Per Section RFP Section 10.8, these dates are contractually binding and will be used to compute any retainage as described in RFP Section 30.30. **This table will be considered in the evaluation.**

The Offeror shall enter its name in the top center of the table.

The Offeror shall complete Replacement MMIS Pricing Table R by including its proposed milestones and deliverables, and relative proposed payment percentage for each, including the associated price and anticipated invoice date. The anticipated invoice date shall be defined as the *contract* month (not calendar month) relative to the start of the Turnover Phase, using the month in which Turnover is initiated as month one. The Offeror may add or delete table rows as necessary to reflect all Turnover Phase Milestones/Deliverables.

The Offeror shall identify the Offeror Name in the top center of the table.

The BOE for this table must include how the Offeror derived the price and how the payment amounts were allocated to the milestones and deliverables.

The State has pre-entered formulas to automatically fill out this table; however, Offerors are responsible for ensuring that the prices entered on this table are accurate and consistent with the other tables in the Cost Proposal.

5.4 Pricing Tables for Provider Enrollment, Credentialing, and Verification

5.4.1 Replacement MMIS Pricing Table S, Estimated Provider Enrollment, Credentialing, and Verification, Itemized Prices by State Fiscal Year

The purpose of Replacement MMIS Pricing Table S is to obtain the itemized unit prices for enrollment, credentialing, and verification activities during all phases of the contract. **This table will be considered in the evaluation.**

The Offeror shall identify the Offeror Name in the top center of the table.

The initial credentialing and verification required to be completed within the first 12 months of contract execution shall be priced on a per provider basis. Offerors shall enter their per provider price in the itemized pricing cell for this service. After the initial 12-month effort, the State is expecting the Vendor to spread out the re-credentialing activities over a three-year period to avoid large peaks and valleys in the effort. The numbers in this table reflect that approach.

Ongoing enrollment, credentialing, and verification services shall be priced in an itemized fashion by SFY and as totals for each contract year. The itemized prices by service will allow for flexible invoicing during the contract. For example, if the Vendor performs an enrollment and credentialing on a new provider, the invoice price for these services shall be the sum of the individual prices for enrollment and credentialing for the SFY in which the services were initiated.

The combinations (EC, EV, etc.) listed in the table are those that the State feels are most likely to occur during performance of the contract. The quantities listed are the State's estimate of the numbers of these services that will be required in each SFY. The individual services are summed in the "Itemized Activities" section of the table. Offerors shall propose their itemized prices in the "Itemized Pricing" section of the table. Prices must be completed for each SFY in the table.

The BOE for this table shall describe how the itemized prices were derived.

5.4.2 Replacement MMIS Pricing Table T, Estimated Provider Enrollment, Credentialing, and Verification, Prices by Contract Year

The purpose of Replacement MMIS Pricing Table T is to obtain the price of provider enrollment, credentialing, and verification services by contract year at the service levels identified in Replacement MMIS Pricing Table S. **This table will be considered in the evaluation.**

The Offeror shall identify the Offeror Name in the top center of the table.

Offerors shall prorate the itemized prices and State estimates for enrollment, credentialing, and verification services, and enter the price for each of the activities per contract year. Those services that do not apply to certain years have been "grayed out."

The BOE for this table shall identify the calculations used to compute the prices on this table from the itemized prices and service quantities on Replacement MMIS Pricing Table S.

The State has pre-entered formulas to automatically fill out this table; however, Offerors are responsible for ensuring that the prices entered on this table are accurate and consistent with the other tables in the Cost Proposal.

5.5 Retrospective Drug Utilization Review (RetroDUR)

5.5.1 Replacement MMIS Pricing Table U, Prices for RetroDUR by State Fiscal Year and Contract Year

The purpose of the Replacement MMIS Pricing Table U is to obtain prices for RetroDUR operations on a monthly basis by SFY and on an annual basis by contract year. **This table will be considered in the evaluation.**

Offerors shall identify the fixed price per month for each SFY in the column for this purpose on the left side of the table. Offerors shall identify the price per contract year in the column for that purpose on the right side of the table. This table includes both Replacement Phase contract years and Operations Phase contract years. For the Replacement Phase, Offerors shall include prices for all whole and partial contract years. For the Operations Phase, Offerors shall enter prices for all five contract years.

The BOE for this table shall describe how the monthly prices were derived and how they were allocated to contract years.

5.6 Data Center Operations

5.6.1 Replacement MMIS Pricing Table V, Data Center Operations

The purpose of Replacement MMIS Pricing Table V is to obtain the Offeror's estimated costs for operating the data center for DDI and Operations purposes by accounting area. ***As this table is for information only; costs in this table must* not *be excluded from other pricing tables with overlapping coverage*** (e.g., *Operations Phase - Fiscal Agent Fixed Price Per Day Due to Fixed Costs by State Fiscal Year*).

The Offeror shall identify the Offeror Name in the top center of the table.

Offerors shall identify the estimated costs for operating the data center *as these costs apply to the Offeror's prices* for the Replacement Phase and the Operations Phase. While the State ***is not*** asking Offerors to separately price and invoice data center operations (such as is being done for provider enrollment, credentialing, and verification), figures in the table should be shown as they would be priced to the State.

Offerors may indicate costs and prices in the table in accordance with their own accounting practices, and not all accounts will necessarily apply.

Below is guidance on certain account areas:

- General and Administrative includes costs other than Property, Plant, and Equipment.
    - Disaster recovery services can include specific services provided to support disaster recovery, or the entire outsourcing of the disaster recovery solution.

- Properly, Plant, and Equipment
    - The hardware and software used to support the data center operations, may include Proprietary Vendor Material, Third Party Material, and Public Material for which an Offeror intends to separately charge (while remaining within the bounds of the RFP intellectual property provisions), but not including the State Material developed under this Contract.

The table is oriented to SFYs, and each Offeror shall allocate costs appropriately based its own proposed schedule. **No costs are required to be entered for time periods outside the planned Term of the Contract.** For the purposes of this Table, include the Operations Phase option year in the Term of the Contract.

The BOE for this table shall describe the buildup of costs across the various line items, and costs assigned to one of the "Other" categories must be identified if they are significant. Because the labor costs allocated to data center activities may vary by Offeror, it is important to indicate which activities are included in the costs identified in this table.

5.7 Pricing Tables for Offeror-Proposed Options

5.7.1 Replacement MMIS Pricing Table W, Offeror-Proposed Options – Option Summary

The purpose of Replacement MMIS Pricing Table W is to provide information to the State on the pricing of Offeror-Proposed Options. **These tables will be considered in the evaluation.**

The Offeror shall identify the Offeror Name in the top center of the table, and the name of the option shall be identified on each pricing sheet.

Offerors shall identify the prices for each option for DDI, Early Operations (i.e., in advance of the Operational Start Date), Operations, and Turnover, as appropriate. Additional tables may be added, as necessary, to define itemized pricing, prices per SFY, etc. For existing contract requirements for which the Offeror is only proposing an optional early implementation, no DDI prices shall be identified. The costs for DDI for these requirements must be included in the DDI costs for the entire system. Only DDI costs for options that are not State requirements may have separate DDI costs.

The BOE for these tables shall identify how the Offeror derived the prices for each option.

5.8 Replacement MMIS Pricing Table X, State-Funded Enterprise Licensing Requirements

The purpose of Replacement MMIS Pricing Table X is to obtain information on the types and quantities of licenses required of products for which the State has Enterprise License Agreements. The State will use this information to estimate the cost of

providing these licenses. Offerors shall not include the costs of these licenses in their proposed prices. **This table will be considered in the evaluation.**

The Offeror shall enter its name in the top center of the table.

One table must be completed for each product being proposed for which the State has identified that it has an Enterprise License Agreement. Offerors shall identify the product name, itemize each required license type, and identify the quantity of licenses needed. Offerors should use the product vendor's standard licensing types (e.g., per seat, per server, per CPU, etc.), and the State will apply the appropriate pricing to these license types and quantities.

The BOE for these tables shall identify how the Offeror derived the license types and quantities.

5.9 Replacement MMIS Pricing Table Y, Offeror Exceptions Table

The purpose of Replacement MMIS Pricing Table Y is to provide information to the State on any exceptions to the terms, conditions and requirements set forth in the RFP and their associated priced value, in accordance with Section 2 of this Request for Cost Proposal. **This table will be considered in the evaluation.**

The Offeror shall enter its name in the top center of the table and shall complete a separate table for each identified exception.

The BOE for these tables shall identify how the Offeror derived the priced value to the State.

5.10 Replacement MMIS Pricing Table Z, Summary of Proposed Prices

The purpose of Replacement MMIS Pricing Table Z is to roll up the prices from all applicable tables. The State has set up the spreadsheet to automatically fill in the cells on this worksheet; however, Offerors are responsible for ensuring the accuracy and completeness of this table. **This table will be considered in the evaluation.**

The Offeror shall enter its name in the top center of the table. No BOE is required for this table.