

## COST PROPOSAL NARRATIVE

LogistiCare is committed to partnering with healthcare plans and state agencies to provide quality transportation services to members in need. We believe that business synergies begin with fair pricing. We apply this philosophy to our provider networks, to our local call center staffing practice, and to quotes for our NEMT broker services.

Our cost estimate for West Virginia's NEMT program is based on the data provided in the RFP, the Question and Answer responses in Addendum 3, the data clarification in Addendum 6, and the clarification of impact from methadone treatment in Addendum 7. We understand the budgetary challenges facing state governments as the demand for services is increasing. Our pricing approach identifies opportunities for savings through an analytic deep dive, which dissects the current operation of the program in the context of the specific regional market conditions. The price proposal we respectfully submit would pass the scrutiny of CMS actuaries, a benefit to the agency as it provides assurance that we will be able to deliver the expected quality service at a sound cost to the State of West Virginia.

### Key Considerations of Pricing

This narrative offers transparency to the pricing methodology for the implementation cost and the operations cost, with focus on the latter. The key components include transportation cost and administrative cost. As projections, these cost estimates rely on the quality and accuracy of the data provided as well as certain operational assumptions, which are important to convey to the State. The program today is stable, and while we believe the addition of methadone treatment to approved medical benefits will increase utilization, we have priced based on the clarification of Addendum 7 that states "The Bureau does not foresee this change affecting the NEMT program in any significant amount."

### Implementation Cost

The implementation cost captures the necessary investment to set up an in-state call center, including securing appropriate space, equipment and people to operate the NEMT program. The factors that determine the total amount are the staff requirements outlined in the RFP, and other exogenous state-specific variables such as rent per sq. ft. LogistiCare has tailored the implementation plan to optimize cost while ensuring that the call center will fulfill the operational needs of the program and will tally high rider satisfaction. In this context, it is worth noting that the staffing portion of the implementation expense covers the cost associated with training CSRs and other personnel in immediate contact with members to deliver quality service.

### Transportation Cost

LogistiCare defines transportation cost as the cost expected to be paid to in-state third party independent vendors, such as commercial transportation companies, regional transit agencies, fixed-wing/commercial air service providers, and gas reimbursement. It is effectively the direct cost of a NEMT program, and, in turn, the largest component within our Per Member Per Month (PMPM) rates.

Based on the data provided in the RFP, we created an underwriting model from the ground up. We reviewed the monthly trip volume segmented by mode of transport and geographic distribution by county. We studied the historical behavior of the program, month over month and year over year, by trending each data slice. Then, we projected volume through the end of the contract term based on the observed changes in each segment. We looked at the resulting aggregate trend to check for soundness of the formulated assumptions. As volume and mode of transportation are key to estimating the total

transportation cost, the quality of the data provided is essential to accurate cost estimation. From an expenditure perspective, while the mode and the locale of a trip determine the base cost expected to be incurred to employ the appropriate type of vehicle in the specific area, the distance determines the additional amount a provider would bill for the trip. In our practice, both the base and mileage rates include reasonable profit for commercial providers; thus, we maintain a rigid network of reliable local drivers.

We reviewed the average trip mileage by segment. With mileage data and level of service mix, we assumed continuity of the program behavior as observed in the most recent month of the provided data (July 2017). The forward-trended segmented volume and corresponding average distance data paired with our proprietary transportation cost model, which rests on a number of county-specific variables, including, but not limited to gas prices, availability of public transportation, population and medical facilities densities, produced an estimate of the programs direct cost per month for each year of the life of the contract.

We observed in the data provided in the RFP that gas reimbursement is the largest mode of transport utilized by the eligible population. In our experience, this level of service entails a high risk of fraud and abuse. LogistiCare has extensive experience with containing the material impact of it by establishing controls as outlined in the technical proposal. The implementation of effective gas reimbursement controls could result in additional program savings.

### Administrative Cost

The administrative cost component of the total program cost includes all the operational and oversight expenses that LogistiCare will incur in managing this program. We have found that the centralization of certain functions offers consistency and savings to all clients we serve. Effectively, the overall administrative expense is strategically divided into two separate categories, indirect and direct. The indirect admin cost represents the centralized support offered through our corporate office, which automatically implies savings for the State, as well as the after-hours disaster-recovery backup call center. The direct admin cost exclusively relates to the operation and management of the West Virginia NEMT program out of the in-state call center and corresponds to the staffing requirements, outlined in the RFP, and sound compensation for our local center employees. Classification of admin functions as direct/indirect is available below:

#### ***Direct Administrative Functions:***

- ▶ Gross Reservation Handling
- ▶ Ride Recovery Handling
- ▶ Facility Management
- ▶ Claims Handling
- ▶ Complaint Handling
- ▶ Driver Training
- ▶ URAC Quality Improvement
- ▶ Routing and Dispatching of Trips
- ▶ Medical Appointment Confirmation
- ▶ Standing Order Management
- ▶ Provider Network Development
- ▶ Compliance and Reporting
- ▶ Community Outreach
- ▶ Program Management
- ▶ Assignment of Providers
- ▶ Long Distance Review
- ▶ Provider Oversight
- ▶ Utilization Review
- ▶ Vehicle Inspections
- ▶ Field Inspections

**Indirect Administrative Functions (Back-Up Call Center & Corporate Administrative Support Functions):**

- ▶ Human Resource Hiring/Compliance with Federal/ State Laws
- ▶ Supply Purchasing
- ▶ Risk Management
- ▶ IT Hardware Support
- ▶ Marketing/Brochures
- ▶ Benefit Management
- ▶ Provider Payment
- ▶ Bonding/Insurance
- ▶ Software Maintenance/ Development
- ▶ Provider Subcontracting Review
- ▶ Finance/Accounting
- ▶ Legal/Compliance
- ▶ Encounter File Management
- ▶ Telephony Support

**SUMMARY**

LogistiCare understands the financial discipline needed to model and execute a state NEMT program at a reasonable and fair price. Our approach in cost optimization is simple. We negotiate the best rates with providers allowing for reasonable profit, utilize our extensive transportation network to deploy the most cost efficient provider for each and every trip, and tighten gate-keeping reviews in order to manage the state NEMT program at the best overall cost. Other bidders that project unrealistically low program costs will inevitably develop financial problems, which in turn could translate to that broker to start denying services to members that require medical attention, and ultimately costing the state a great deal more in medical losses. LogistiCare is an experienced broker, both in the industry and in the State of Virginia, and this scenario is not a concern as your preferred partner. We are committed to serving your members as best as possible. Our price quote guarantees our ability to sustain the state's requirements over the term of the contract and drive an exceptional member experience with operational excellence and predictable execution.

## Attachment C: Cost Sheet

Cost information below as detailed in the Request for Proposal and submitted in a separate sealed envelope. Cost should be clearly marked.

Vendors are to use their business expertise in pricing the work described in this RFP, taking into consideration any intervening steps or activities that must be performed in order to complete the work and offer their rates accordingly, even if BMS does not explicitly identify those intervening steps or activities in this RFP.


Implementation Cost (All Inclusive)-3 Months			
Expense		Cost	
1. Staffing		1) <u>\$ 241,605.42</u>	
2. Computer, including Software		2) <u>\$ 7,200.00</u>	
3. Telephone/Communications		3) <u>\$ 8,094.52</u>	
4. Facilities		4) <u>\$ 17,354.17</u>	
5. Consulting Services		5) <u>\$42,256.94</u>	
6. Other (detail on separate page)		6) <u>\$ 320,011.05</u>	
<b>Total Not to Exceed 3-Month Implementation Cost<sup>1</sup></b> (Sum of Expense Costs)		<b>\$ _____</b>	
Operations Cost			
Contract Year	Estimated Average Member Months <sup>2</sup>	Per Member Per Month Rate	Cost
Base Contract Period: Base 1 <sup>st</sup> year (excluding 3-month implementation):	518,977	<u>\$5.75</u> x 9	<u>\$ 26,857,059.75</u>
Optional Renewal Year 1:	521,572	<u>\$5.77</u> x 12	<u>\$ 36,113,645.28</u>
Optional Renewal Year 2:	524,180	<u>\$5.83</u> x 12	<u>\$ 36,671,632.80</u>
Optional Renewal Year 3:	526,801	<u>\$5.62</u> x 12	<u>\$35,527,459.44</u>
Optional Renewal Year 4:	529,435	<u>\$5.65</u> x 12	<u>\$ 35,895,693.00</u>
Optional Renewal Year 5:	532,082	<u>\$5.64</u> x 12	<u>\$ 36,011,309.76</u>
<b>Total Operations Cost<sup>3</sup></b> (Sum of Operations Costs for all Contract Years.)			<b>\$ 207,076,800.03</b>

**Citation:**

1. *The Vendor shall be paid an Implementation price of the amount specified in the Vendor's proposal set forth in Attachment C. Payment of the implementation cost of the contract shall be made by BMS in accordance with Appendix 5 (Milestones, Deliverables, and Payments) during the implementation phase of the contract. The amount paid for implementation costs shall not exceed the amount bid in this section. Implementation period must not exceed 3 months.*
2. *Participant population estimates were developed based on the best information available at the time of the solicitation. The participant population estimates are to be used for purposes of cost proposal and evaluation only.*
3. *During the Operation Phase of the Contract, the Vendor will be paid on a monthly basis in accordance with the Vendor's bid Per Member Per Month (PMPM) price proposals as set forth in Attachment C which shall be firm and fixed for the period of the Contract. The PMPM will be paid based on the actual monthly Medicaid enrollment. No specific or lump sum payment shall be made by BMS for Close-out and Turnover activities, whether the Vendor performs those activities before or after the date of Contract termination.*

**Notes:**

1. *The cost proposal will be evaluated based on the Total Cost of Contract. The cost bid should include all anticipated training, travel and related expenses, including supplies and general administrative expenses.*
2. *All activities related to implementation must be completed prior to operational start date.*
3. *The number of months in the operational base year one has been determined to be nine (9) months to allow for 3-month implementation.*

LogistiCare Solutions, LLC  
(Company)  
 Albert Cortina, CAO  
(Representative Name, Title)  
404-888-5800 / 404-888-5999  
(Contact Phone/Fax Number)  
October 24, 2017  
(Date)

If applicable, sign and submit the attached Resident Vendor Preference Certificate with the proposal.