

Proposal to Provide

In-Person Assistance Services and Oversight

MAXIMUS®



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West Virginia Purchasing Division

Prepared For
State of West Virginia
Offices of the Insurance Commissioner

Cost Narrative

MAXIMUS Health Services, Inc. (MAXIMUS) is pleased to present our price proposal, per the Request for Proposal (RFP) requirements and guidance in *Attachment E: Cost Proposal Detailed Worksheet*. We believe that our price allocates appropriate resources to the areas of our solution that will have biggest impact on the success of the In-Person Assistance Services and Oversight project.

Our price represents estimated costs for the period from June 1, 2013 through May 31, 2014. Per the RFP and Addendum 1, we have assumed the pricing structure of this contract to be cost reimbursable.

MAXIMUS will submit invoices on a monthly basis detailing the actual cost incurred during the course of this project. Our invoices to the State will include actual direct costs incurred, burdened with our indirect costs and a customary fee. The following descriptions correspond to each category within Attachment E and lists our assumptions for each category.

Salaries/Wages

Salaries/Wages costs consist of staff salaries, fringe benefits, and our staff overhead costs related to employment of our personnel. Staff salaries are inclusive of MAXIMUS project management and administrative staff, five (5) IPA Leads and fifty (50) IPAs. We determine competitive salaries through benchmarking of market rates to assure that our project management and administrative staff costs (typically the largest cost of any project of this sort) are as efficient as possible. We pay our project staff salaries that meet or exceed the Department of Labor-recommended rates. For the IPA Leads and IPAs, we conformed to the RFP requirement that this staff is to be paid \$29/hr and \$20/hr, respectively.

Fringe benefits include life and health insurance, paid time off (holidays, vacation, sick time), 401(k) plan contributions, and payroll taxes (FICA, Unemployment Insurance, Workers Compensation). MAXIMUS computes fringe benefits as a burden on direct labor. Direct labor is computed as hours times hourly rate. To compute hours per year, the total number of workable hours in a year is 2080 hours minus 200 hours for paid time off (PTO), for estimated annual total hours of 1880. These hours are then multiplied by the hourly rate, which is computed by dividing a salary by 2080 hours. For example, an hourly rate for an employee earning \$100,000 per year would be $(\$100,000 \text{ salary} / 2080 \text{ hours}) = \48.07 per hour. The fringe rate is 44.48% of direct labor.

Our staff overhead costs include all costs associated with managing the company at the various Division and Group levels. These costs include Group and Divisional overhead staff, as well as the travel, equipment, and supply costs associated with these staff members. Each project is allocated a portion of the overhead expenses. Total overhead cost is allocated to direct labor and fringe. This methodology is audited annually by an independent accounting firm. The overhead burden rate is 8.2% of direct labor and fringe.

This category does not include any costs related to sub-granted IPA entity staff as MAXIMUS assumes the State will contract with IPA entities directly (per answer to question number 83). All cost assumptions made in this proposal reflect that we will not handle sub-grantee invoices in any manner in our accounting system. Operations will review the sub-grantee IPA entity invoices prior to submission to OIC for quality assurance.

Travel and Other Staff Costs

Travel and meal costs represent mileage and per diem costs for our five IPA Leads, and only mileage costs for 50 IPAs. We estimate that the IPA Leads will travel for audit purposes across all twelve counties assigned to them and conduct one audit per month per county, over eight months. At an average trip of 85 miles, total IPA Lead mileage is assumed to be 40,800 miles. We estimate that IPAs will travel five days a week, four weeks each month and over a period of six months total. At an estimated average daily trip of 30 miles, total IPA mileage is assumed to be 264,000 miles. Total estimated combined IPA Lead and IPA mileage is therefore 304,800 miles. We reimburse our employees at the IRS Standard Mileage Rate for 2013 of \$0.565/mile and pay a per diem rate of \$32/day to IPA Leads.

Background checks represent the cost to perform our MAXIMUS 'Standard Package' background check on all project staff. The Standard Package includes County/Statewide Criminal Search, Office of Foreign Assets Control – Specialty Designated Nationals List (OIG), General Services Administration Excluded Parties List (GSA), Social Security Trace, and the National Criminal Record Search & National Sex Offender Registry.

Overhead Costs of Vendor and Vendor IPAs

This category consists of the following project costs:

- **Printing & Materials:** Our price includes a sufficient amount of printed materials that are provided to traveling IPAs. On a daily basis, IPAs are expected to distribute materials over 55 counties, each of which have 2-3 locations, over a period of eight months. This category also includes costs for printing paper applications and 4,000 envelopes and stamps as a low-tech contingency plan, as well as the printing of one poster per destination.
- **Surveys:** This category includes the costs to conduct surveys through the SurveyMonkey service.
- **Field Operations Community Unification System (FOCUS):** Represents all development and ongoing costs related to utilizing our FOCUS portal which includes modules for scheduling, filing complaints, storing job aids, and entering daily tasks. Development costs consist of configuration costs for the new project and ongoing costs consists of system maintenance and server hosting charges.
- **Computers, IT Equipment and Software:** We are furnishing all MAXIMUS staff with laptops and software, including Microsoft Office Standard Edition, Pointsec Encryption, and Lotus Notes email licenses required for the MAXIMUS Corporate email system. Accessories consisting of privacy screens, laptop bags, surge protectors, five portable shredders, and one printer for the central office are also included in this category. Per Addendum 1, we have not included computer costs for the sub-grantee IPA staff. We assume these will be provided by the IPAs or the sub-granted IPA entity.
- **Telephony Equipment:** Represents the associated telephony cost to add the project management staff to our existing Charleston office. Telephony equipment consists of phones, voicemail, DIDs, and hands-free headsets.
- **Office Furniture:** Represents the associated furniture and cubicle cost to add the project management staff to our existing Charleston office. MAXIMUS has assumed space and furniture cost for our own staff requirements, but we have not included any costs for State staff or sub-granted IPA entity staff.

- **Tenant Improvements and Cabling:** Represents the associated facility configuration costs to add the project management staff to our existing Charleston office. Cabling costs consists of adding telephony and LAN lines to newly configured space.
- **Office Supplies:** We anticipate that our 55 IPAs will require miscellaneous supplies such as pens and notebooks when traveling.
- **Deltek Timesheet Licenses:** MAXIMUS utilizes a centralized accounting system and related timesheet module provided by Deltek. Since MAXIMUS anticipates tracking time for all sub-granted IPA entity staff, we have included timesheet licenses for 175 sub-grantee IPAs. These licenses will allow MAXIMUS to accurately and properly track timekeeping functions for the sub-granted IPAs. All MAXIMUS staff is provided with timesheet use as a condition of employment; therefore, license costs are included in our G&A expense.
- **Rent:** As a way to offer savings to the State, we have leveraged our existing Charleston office. This cost represents a small allocation of the annual lease cost for the space in which project management will reside. MAXIMUS has assumed space and furniture cost for our own staff requirements, but we have not included any costs for State staff or sub-granted IPA entity staff.

Overhead Costs for IPA Entities

We have allocated one full time FTE, the IPA Entity Liaison, for management and oversight of an anticipated seven sub-granted IPA entities. As with personnel contained within the Salary/Wages category, the cost for the IPA Entity Liaison includes the position's salary, fringe benefits, and proportional staff overhead costs. We assume that the cost for this Liaison will be reimbursed regardless of the number of sub-granted IPA entities with whom we will interface.

Overhead Costs of Subcontractors

MAXIMUS is not using subcontractors on this project.

Indirect Costs

General and Administrative (G&A) costs result from all MAXIMUS Health Services contracts having the same chart of accounts, direct/ indirect charging methodology, and indirect cost pools whereby we allocate indirect costs in a like manner, allowing for all contracts to be treated in an equitable manner. Our accounting methods are compliant with generally accepted accounting principles (GAAP). G&A costs include all costs associated with the management and administration of the company at the corporate level. Included in this cost are Corporate Management and Administrative staff as well as the departments of Accounting, Human Resources, and Corporate Information Systems. G&A costs are allocated on the basis of total direct and indirect costs. Our indirect cost and allocation methodology are audited annually by an independent accounting firm. Our G&A burden is applied to all costs listed above: labor, fringe, overhead, and ODCs. This rate is 14.2%.

As a for-profit firm, MAXIMUS allocates a reasonable and customary fee to all costs. Our fee is applied to all costs including labor, fringe, overhead, all ODCs, and G&A. Our fee rate is applied to this effort is 17.65%.

Conclusion

We believe the estimates reflected above are both realistic and efficient. In implementing a project that has both direct hires and a significant management and oversight component, employing proven technology including FOCUS and Deltek will help improve efficiency and reduce cost. We are pleased to provide this proposal in support of the West Virginia Offices of the Insurance Commissioner In-Person Assistance Services and Oversight project.

Category / Description	Amount
Salary / Wages	
List each position title and number of full time equivalents (FTEs): (e.g. "In-Person Assistors / 15 FTEs")	
Corporate Officer-In-Charge / 0.75 FTE	\$ -
Project Manager / 1.0 FTE	\$ 127,366
IPA Manager / 1.0 FTE	\$ 92,061
Administrator/IPA Service Representative / 1.0 FTE	\$ 36,647
Quality Assurance and Reporting Manager / 1.0 FTE	\$ 85,012
Information Technology Manager / .5 FTE	\$ 49,555
Human Resources Specialist / .5 FTE	\$ 27,013
Finance Analyst / 1.0 FTE	\$ 92,061
MAXIMUS IPAs / 50.0 FTEs	\$ 1,900,532
MAXIMUS IPA Leads / 5.0 FTEs	\$ 313,103
<i>(Note: All Salary /Wages include Direct labor, fringe, and overhead)</i>	
Total: Salary / Wages	\$ 2,723,350

*Must include at least 55 IPAs

Travel and Other Staff Costs	
Include expected travel required and associated costs, and the cost of completing State and Federal criminal background checks for vendor IPAs.	
Travel & Meals	\$ 183,732
Background Checks for MAXIMUS IPAs	\$ 9,270
Total: Travel and Other Staff Costs	\$ 193,002

Overhead Costs of Vendor and Vendor IPAs	
Including rent, utilities, supplies, equipment, etc.	
Printing & Materials	\$ 41,236
Surveys	\$ 1,000
FOCUS	\$ 109,563
Computers, IT Equipment & Software	\$ 140,600
Telephony Equipment	\$ 6,500
Office Furniture	\$ 1,500
Tenant Improvements & Cabling	\$ 11,622
Office Supplies	\$ 1,665
Deltak Timesheet Licenses	\$ 18,200
Rent	\$ 9,486
Total:	\$ 341,371

<u>Overhead Costs for IPA Entities</u>	
Provide percentage charged for providing overhead to IPA Entities and the number of hours necessary for providing overhead.	
IPA Entity Liaison / 1.0 FTE	\$ 91,788
Total:	\$ 91,788

<u>Overhead Costs of Subcontractors</u>	
Provide percentage charged for providing overhead to subcontractors, based on 1,000 hours of ad-hoc services	
(None)	\$ -
Total:	\$ -

<u>Indirect Costs</u>	
Identify any line items contributing to total costs not delineated in the above sections	
General and Administrative Costs: 14.2% Burden on All Costs*	\$ 475,631
Fee: 17.65% Burden on All Costs	\$ 675,025
*(Note: G&A rate may vary from quarter to quarter)	
Total:	\$ 1,150,655

GRAND TOTAL OF COSTS FOR PROJECT: \$ 4,500,166

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