



Cost Proposal

**Non-Emergency Medical
Transportation to**

ORIGINAL

**State of West Virginia Department of Health
and Human Resources (DHHR), Bureau for
Medical Services (BMS)**

RFP Number: BMS14156

Submission Date: March 26, 2014

LogistiCare®

The Nation's Leading Transportation Management Solution



ACCREDITED
CORE



State of West Virginia Department of Administration
 Purchasing Division
 2019 Washington Street East
 Post Office Box 50130
 Charleston, WV 25305-0130

Solicitation

NUMBER	PAGE
BMS14156	1

ADDRESS CORRESPONDENCE TO ATTENTION OF
Bob Kilpatrick 304-558 00 67

RFQ COPY
 TYPE NAME/ ADDRESS HERE

VENDOR
LogistiCare
THE NATION'S LEADER IN NON-EMERGENCY MEDICAL TRANSPORTATION MANAGEMENT
 1275 Peachtree St NE Atlanta, GA 30309
 (404)-888-5800

SHIP TO
 HEALTH AND HUMAN RESOURCES
 BUREAU FOR MEDICAL SERVICES
 ROOM 251
 350 CAPITOL STREET
 CHARLESTON, WV
 25301-3709 304-558 17 37

DAT PRINTED
 02/20/20104

BID OPENING DATE: 3/26/2014

BID OPENING TIME: 1:30PM

LINE	QUANTITY	UOP	CAT NO.	ITEM NUMBER	UNIT PRICE	AMOUNT
REQUEST FOR PROPOSAL (RFP)						
THE WEST VIRGINIA PURCHASING DIVISION, ON BEHALF OF THE WV DEPARTMENT OF HEALTH AND HUMAN RESOURCES, BUREAU FOR MEDICAL SERVICES, IS SOLICITING PROPOSALS TO PROVIDE A FULL - RISK CAPITATION BROKER TO DIRECTLY COORDINATE A STATEWIDE NON-EMERGENCY MEDICAL TRANSPORT (NEMT) PROGRAM PER THE ATTACHED SPECIFICATIONS						
1	1	EA		948-55	1	\$ 580,238.69
	IMPLEMENTATION COST					
2	1	EA		948-55	1	\$ 3,789,068.14
	STAFFING					
3	1	EA		948-55	1	\$ 224,703.08
	COMPUTER, INCLUDING SOFTWARE					

SIGNATURE: *Arthur C. Postone* TELEPHONE: 404-888-5800 DATE: March 24, 2014
 TITLE: Chief Administrative Officer FEIN: 58-2491253 ADDRESS CHANGES TO BE NOTED ABOVE
 WHEN RESPONDING TO SOLITATION INSERT NAME AND ADDRESS IN SPACE ABOVE LABELED "VENDOR"



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SHIP TO	HEALTH AND HUMAN RESOURCES BUREAU FOR MEDICAL SERVICES ROOM 251 350 CAPITOL STREET CHARLESTON, WV 25301-3709	304-558 17 37
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LINE	QUANTITY	UOP	CAT NO.	ITEM NUMBER	UNIT PRICE	AMOUNT
4	1	EA		948-55	1	\$ 513,682.28
				TELEPHONE / COMMUNICATIONS		
5	1	EA		948-55	1	\$ 328,429.18
				FACILITIES		
6	1	EA		948-55	1	\$ 125,578.84
				CONSULTING SERVICES		
7	1	EA		948-55	1	\$ 1,051,237.16
				OTHER		
8	1	EA		948-55	1	\$ 24,298,716.83
				OPERATIONS COST		

SIGNATURE: <i>Alberto Cortez</i>	TELEPHONE: 404-888-5800	DATE: March 24, 2014
TITLE: Chief Administrative Officer	FEIN: 58-2491253	ADDRESS CHANGES TO BE NOTED ABOVE
WHEN RESPONDING TO SOLICITATION INSERT NAME AND ADDRESS IN SPACE ABOVE LABELED "VENDOR"		



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LINE	QUANTITY	UOP	CAT NO.	ITEM NUMBER	UNIT PRICE	AMOUNT
9	429,867	EA		948-55	1	\$ 30,331,415.52
	SFY 2015 (JULY 2014 - JUNE 2015)					
10	442,327	EA		948-55	1	\$ 30,573,642.24
	SFY 2016 (JULY 2015 - JUNE 2016) OPTION RENEWAL					
11	446,303	EA		948-55	1	\$ 31,076,157.88
	SFY 2017 (JULY 2016 - JUNE 2017) OPTIONAL RENEWAL					
***** THIS IS THE END OF RFQ BMS14156 *****						TOTAL: \$ 92,561,454.33

SIGNATURE: *Robert Corten* TELEPHONE: 404-888-5800 DATE: March 24, 2014
 TITLE: Chief Administrative Officer FEIN: 58-2491253 ADDRESS CHANGES TO BE NOTED ABOVE
 WHEN RESPONDING TO SOLITATION INSERT NAME AND ADDRESS IN SPACE ABOVE LABELED "VENDOR"

FINANCIAL NARRATIVE

LogistiCare respectfully submits the following cost proposal for the West Virginia Department of Health and Human Services, Division of Medical Assistance Non-Emergency Transportation Program. Our completed *Attachment C: Cost Table* is attached. As the nation's leading non-emergency transportation manager in 40 states, we understand the budgetary challenges facing state government at the same time that demand for services is increasing.

The Balanced Budget Act of 1997 (BBA) supports that state agencies and vendors document with the Centers for Medicare and Medicaid Services (CMS) the actuarial soundness of a fixed price or capitated rate program. LogistiCare has significantly more experience in working with state agencies and actuarial firms in certifying encounter and rate data than any other bidder. Currently LogistiCare is undergoing certification (and in some cases, re-certification) of its NEMT data with CMS through state agencies for several of its state Medicaid agencies and Medicaid HMOs. We consistently provide full and complete utilization data, and comply with all aspects of the Balanced Budget Act of 1997.

Our pricing methodology and proposal for West Virginia would pass the scrutiny of CMS actuary soundness which is a benefit to the agency as it provides assurance that we will be able to deliver the expected service. In developing our future cost estimates, we considered the RFP information and data provided, the Question and Answer shared as well as the programmatic challenges and successes inherent in how the current system operates. Other pertinent benchmarks (such as limited NEMT after hour non-ambulance network coverage) were obtained through on the ground discussions with third party constituents, such as current transit agencies, healthcare medical facilities and transportation providers. The following are the two key components of our overall Per Member Per Month rate, the Transportation and Administrative cost buildup:

A) Transportation Cost

The largest component within our PMPM is our estimate of the transportation expense, which contains the transportation cost expected to be paid to in-state third party independent vendors, such as commercial transportation companies, regional transit agencies and friends and families mileage reimbursement. This direct cost may also include any actual cost incurred on behalf of the Medicaid member such as mass transit tokens or passes purchased, as well as meals and lodging expenses. We used cost and volume data provided in the question and answer attachments of the RFP.

West Virginia's current NEMT program is primarily managed through the county offices. In almost every instance that LogistiCare has taken on the oversight of a state NEMT program run by this type of "County" structure we have found:

- Lack of gatekeeping measures that match the appropriate mode of transportation required with the most economical means possible

- Inadequate controls over identification and authorization of transportation to medically covered programs
- Proper validation of member eligibility on the date of transports
- Limited controls in place to monitor correct mileage payments for gas reimbursement to family and friend
- Limited capacity to meet all needs in all geographical areas as transportation companies often pick and choose which members/areas they want to serve

There are two areas of immediate focus where we feel we could have a significant impact on the program and these include a) the validation of mileage of all trips, in particular the gas reimbursement paid to friends and family and b) requiring members to arrange transportation through Logisticare, not directly with the transportation provider.

The first area of focus will be the controls around the **family and friends gas/ mileage reimbursement**. Although this type of program is often cost efficient it can also contribute to excessive mileage and overburden a program with cost. Our sense of West Virginia is that the state has a very robust friends and family program that any NEMT manager would like to take advantage of while apply basic checks and balance to the entire process. At a very high level it appears as if the estimated mileage incurred per trip appears higher than what we have experienced in over 18 other state Medicaid programs. The validation of covered medical services and mileage is key in maintaining the integrity of any gas/mileage reimbursement program.

The second relates to the actual process in place today whereby **the county workers do not arrange or assign trips. The member is responsible to arrange their own trips.** We feel this opens up potential fraud and abuse in the program. Under our prior authorization program, all members and or medical facility case worker would be required to call LogistiCare and we would verify eligibility prior to the transport and also make sure the mode of transportation matches the needs of the member. These are just two example of a host of utilization management programs designed to apply greater internal controls over non-emergency transportation services

Maintaining stable NEMT costs requires careful management of both transportation and medical network providers. Utilization management requires an understanding of trip eligibility rules, field observation of appropriate levels of service, and thorough utilization review. In our experience, we find that health care facilities often request NEMT services simply because the member is Medicaid eligible, not because the program they are attending is a NEMT covered service. We provide transportation for all services your members are eligible to receive. This type of assessment, handled through our HealthCare Manager's initial certification and quarterly recertification of all standing orders, is critical in ensuring that trip volume (utilization) is kept at appropriate levels, and that the appropriate funding source for the transportation service is identified.

LogistiCare has implemented many different procedures aimed at controlling utilization and lowering cost, while ensuring that those who are eligible and in need of medical care receive those services in a timely and compassionate fashion. This effort has provided budget predictability even while Medicaid enrollments continued to grow. We specifically want to stress that this utilization stabilization is not derived from denials of legitimate service, but from identification of covered versus non-covered service, fraud and abuse investigations, trip frequency verification against medical claims frequency, and assignment of proper levels of service. In our operations, actual denial of service happens in less than .0025% of trip requests.

LogistiCare’s specific utilization management procedures include:

- Field observation of level of service being requested
- Quarterly Recertification with facilities of all standing orders schedules
- Monthly attendance review of members by the Health Care Facilities Dept.
- Program integrity and compliance with Medicaid guideline reviews
- Funding source verification of medical services attended
- Transportation frequency versus medical claims frequency reviews
- Public Transit utilization
- Billing / 100% verification of trip invoices
- No-Show compliance program and monitoring
- Review of long-distance trips/ research of closest provider guidelines

B) Administrative Cost

Our administrative cost includes all the operational and oversight expenses incurred in managing this program. The overall management expense is composed of two separate identifiable costs. One is for the direct administrative operations in West Virginia, and the second component is for the additional support offered through our corporate office and after hour disaster recovery backup call center. Since LogistiCare provides services in over forty states, we have found that the centralization of certain administrative functions offers consistency and cost savings to all clients we serve. The following are the administrative functions included:

Direct Administrative Functions:

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

Back-Up Call Center/Corporate Administrative support Functions:

- *Human Resource hiring/compliance with federal/state laws
- *Benefit management
- *Supply Purchasing
- *Provider Payment
- *Finance/Accounting
- *Risk Management
- *Bonding/Insurance
- *Legal/Compliance
- *IT Hardware Support
- *Software Maint./Development
- *Encounter file management
- *Marketing/Brochures
- *Provider Subcontracting Review
- *Telephony Support

TOTAL COST BUILDUP and ELIGIBLE MEMBERSHIP: After projecting transportation cost, we layered on the administrative cost needed to operate the program. This combined total cost was then divided by the number of eligible Medicaid members as outlined in Attachment C – Cost Sheet to calculate the proposed PMPM.

It is critical that the membership number to be used as the denominator in the Cost Proposal Forms be materially close to the membership which will become the basis for the vendor’s payment after going live. As noted, the population estimates shown in the Cost Sheet are used for purposes of cost proposal and evaluation. We feel it is important to understand pricing based on SFY 2013 members versus SFY 2014 estimated members. The table below illustrates total program cost to BMS using our proposed PMPM and applying these to the most recent average membership level of 351,000 shared during this RFP. After all this current membership of 351,000 relates to the most current spent of \$25 Million. This is the best apples to apples comparison when comparing the bid “PMPM” to today’s program cost. As you can see, based on our proposed declining PMPM over the three year period, the NEMT program would starts to save BMS about seven hundred thousand annually on average. This is due in part to the implementation of various utilization management programs over time which once fully implemented will save dollars in perpetuity. This annual savings is in addition to the administrative and reporting services being offered. Not only does the BMS achieve these savings but this underwriting model also assumes more legitimate trips would be offered for the same price being spent today. Of course, this approximate 3% average savings would continue to increase as the Medicaid membership continues to grow.

	RFP Provided Member months SFY 2013 (Answer to #6 Addendum 1)	LGTC Bid	LGTC's \$ based on SFY 2013 Members	Historical Spend (with NO admin cost incurred by Agency - Answer to Question 8 Addendum 1)	LGTC Savings Per Year based on SFY 2013 Member Count	Annual Savings from Historical Spending
SFY 2015	351,367	\$ 5.88	\$ 24,792,456	\$ 25,100,000	\$ 307,544	1.24%
SFY 2016	351,367	\$ 5.76	\$ 24,286,487	\$ 25,100,000	\$ 813,513	3.35%
SFY 2017	351,367	\$ 5.80	\$ 24,465,747	\$ 25,100,000	\$ 634,253	2.59%

SUMMARY

LogistiCare understands the financial discipline needed to model and execute a successful aggressively priced program. However, not all brokers, in particular those inexperienced or seeking to buy market share may have the state's benefit at heart. With the RFP data provided, the assumptions supporting a bid price could range widely. Although many may claim to be able to operate at the low end of an actuarial range, not all can accomplish this successfully. An actuarial range can vary tremendously and being able to perform at or near the low end requires very sophisticated management systems. In the last two years, LogistiCare was asked to go back into two large state markets that were awarded to two separate competitors that could not execute on their proposed model (one of which was supported by an actuarial range).

A bidder who is not realistic about program costs will develop financial problems and possibly start denying services to members that really need medical attention, ultimately costing the state a great deal more in medical losses and real concern to the members and providers. Our approach for making this proposal work is simple. We will aggressively seek to negotiate the best rates with providers, augment our transportation network and level of service capacity, and tighten gate-keeping reviews in order to provide the Department with more trips at a reduced overall program cost. We will provide administrative oversight and assume the financial and management risk associated with this service. We will do this with no transition or future program risk to the Department or Medicaid eligible members because, given our national experience, we have successfully done this with many other states across the nation.

The attraction to a broker model is minimizing the historical cost growth and achieving the long-term benefits of being able to provide budget predictability while improving access and decreasing future program cost as much as possible. We know that there is no other broker with as much experience as LogistiCare in successfully managing the financial risks of NEMT brokerage programs. With many third party stakeholders relying on this NEMT program to successfully meet the needs of the Medicaid population, operational and administrative management goes beyond traditional call center management. The NEMT program is a comprehensive undertaking that requires a focus on efficiency and quality in all aspects of delivery.

LogistiCare stands ready to support West Virginia with our innovation and program performance that our state clients attest to. In today's environment, there is more cost exposure in risking a transition to an ineffective contractor than there is in reaching an acceptable contract rate with a proven, experienced partner.

<h2 style="text-align: center;">LogistiCare</h2> <p style="text-align: center;">THE NATION'S LEADER IN NON-EMERGENCY MEDICAL TRANSPORTATION MANAGEMENT</p>				
REQUEST FOR PROPOSAL				
Department of Health and Human Resources Bureau for Medical Services RFP # BMS14054				
Attachment C: Cost Sheet				
<p><i>Cost information below as detailed in the Request for Proposal and submitted in a separate sealed envelope. Cost should be clearly marked.</i></p> <p>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.</p>				
Implementation Cost (All Inclusive)				
Expense			Cost	
1	Staffing		\$	282,979.37
2	Computer, Including Software		\$	13,483.75
3	Telephone/Communications		\$	31,701.54
4	Facilities		\$	145,268.75
5	Consulting Services		\$	5,250.00
6	Other (detail on separate page)		\$	101,555.28
Total Not to Exceed Implementation Cost ¹ (Sum of Expense Cost)			\$	580,238.69
Operations Cost				
Contract Year	Estimated Participant Population ²	Per Member Per Month Rate		Cost
Base Contract Period: Year 1: Assumed SFY15	429,867	\$ 5.88	12	\$ 30,331,415.52
Optional Year: Assumed SFY16	442,327	\$ 5.76	12	\$ 30,573,642.24
Optional Year 2: Assumed SFY17	446,303	\$ 5.80	12	\$ 31,076,157.88
Total Operations Cost ³ (Sum of Operations Costs for all Contract Years).			\$	91,981,215.64
Total Cost ⁴ (Sum of Transportation Implementation Cost and Total Operations Cost)				\$ 92,561,454.33

REQUEST FOR PROPOSAL

Department of Health and Human Resources

Bureau for Medical Services

RFP # BMS14156

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.
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 price proposals as set forth in Attachment C which shall be firm and fixed for the period of the Contract. 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. The final administrative payment is to be made upon determination by BMS that all requirements under the Contract have been completed.
4. 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.

LogistiCare Solutions

(Company)

Albert Cortina, Chief Administrative Officer

(Representative Name, Title)

404-888-5800 / 404-888-5999

(Contact Phone/Fax Number)

March 24, 2014

(Date)



(Signature)