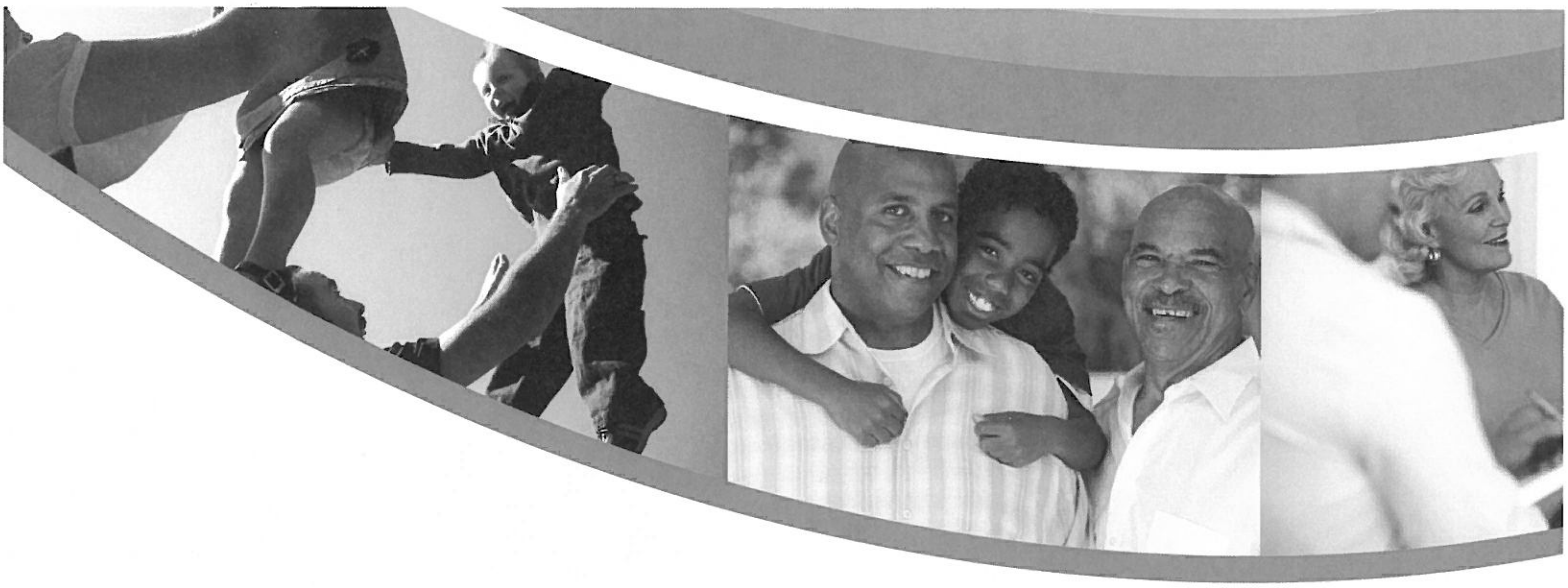

Cost Proposal

Non-Emergency Medical Transportation to

ORIGINAL

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

RFP Number: BMS14054

Submission Date: December 9, 2013

LogistiCare®

The Nation's Leading Transportation Management Solution

URAC
ACCREDITED
CORE

Solicitation

NUMBER	PAGE
BMS14054	1

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

ADDRESS CORRESPONDENCE TO ATTENTION OF
Roberta Wagner
304-558 00 67

RFQ COPY
TYPE NAME/ ADDRESS HERE

VENDOR
LogistiCare Solutions, LLC
1275 Peachtree Street, NE 6th Floor
Atlanta, Georgia 30319

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
11/25/20103

BID OPENING DATE 12/9/2013 **BID OPENING TIME:** 1:30PM

LINE	QUANTITY	UOP	CAT NO.	ITEM NUMBER	UNIT PRICE	AMOUNT
	REQUEST FOR PROPOSAL (RFP)					
	THE WEST DIVISON OF PURCHASING IS SOLICITING PROPOSALS TO PROVIDE A FULL - RISK CAPITATION BROKER TO DIRECTLY COORDINATE A STATEWIDE NON-EMERGENCY MEDICAL TRANSPORT (NEMT) PROGRAM FOR THE DEPARTMENT OF HEALTH AND HUMAN RESOURCES, BUREAU FOR MEDICAL SERVICES, (BMS), PER THE ATTACHED SPECIFICATIONS					
1	1	EA		948-55	1	$ 287,118.29
	IMPLEMENTATION COST					
2	1	EA		948-55	1	$ 1,853,081.20
	STAFFING					
3	1	EA		948-55	1	$ 77,330.81
	COMPUTER, INCLUDING SOFTWARE					

SIGNATURE: Gilberto Contreras	TELEPHONE: 404-888-5800	DATE: 12/6/2013	
TITLE: CAO	FEIN: 58-2491253	ADDRESS CHANGES TO BE NOTED ABOVE	

WHEN RESPONDIG TO SOLITATION INSERT NAME AND ADDRESS IN SPACE ABOVE LABELED "VENDOR"

Solicitation

NUMBER	PAGE
BMS14054	2

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25301-3709 304-558 17 37

DAT PRINTED
11/25/20103

BID OPENING DATE: 12/9/2013 **BID OPENING TIME:** 1:30PM

LINE	QUANTITY	UOP	CAT NO.	ITEM NUMBER	UNIT PRICE	AMOUNT
4	1	EA		948-55	1	$ 244,190.32
	TELEPHONE / COMMUNICATIONS					
5	1	EA		948-55	1	$ 155,350.00
	FACILITIES					
6	1	EA		948-55	1	$ 42,000.00
	CONSULTING SERVICES					
7	1	EA		948-55	1	$ 3,425,067.95
	OTHER					
8	483,000	EA		948-55	1	$ 25,617,299.72
	OPERATIONS COST					

SIGNATURE: Alberto Gonzalez	TELEPHONE: 404-888-5800	DATE: 12/6/2013	
TITLE: CAO	FEIN: 58-2491253	ADDRESS CHANGES TO BE NOTED ABOVE	
WHEN RESPONDIG TO SOLITATION INSERT NAME AND ADDRESS IN SPACE ABOVE LABELED "VENDOR"			

Solicitation

NUMBER	PAGE
BMS14054	3

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

ADDRESS CORRESPONDENCE TO ATTENTION OF
Roberta Wagner
304-558 00 67

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TYPE NAME/ ADDRESS HERE

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LogistiCare Solutions, LLC
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SHIP TO
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DAT PRINTED
11/25/20103

BID OPENING DATE: 12/9/2013 **BID OPENING TIME:** 1:30PM

LINE	QUANTITY	UOP	CAT NO.	ITEM NUMBER	UNIT PRICE	AMOUNT
9	483,000	EA		948-55	1	$ 31,414,320.00
	SFY 2014 (JULY 2013 - JUNE 2014)					
10	500,000	EA		948-55	1	$ 30,900,000.00
	SFY 2015 (JULY 2014 - JUNE 2015) OPTION RENEWA					
11	510,000	EA		948-55	1	$ 30,967,200.00
	SFY 2016 (JULY 2015 - JUNE 2016) OPTIONAL RENEWA					
	********** THIS IS THE END OF RFQ BMS14054 ********** TOT				1	$ 93,568,638.29

SIGNATURE: Alberto Quintero	TELEPHONE: 404-888-5800	DATE: 12/6/2013	
TITLE: CMO	FEIN: 58-2491253	ADDRESS CHANGES TO BE NOTED ABOVE	

WHEN RESPONDIG 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 nations' leading non-emergency transportation manager in 40 states, we understand the budgetary challenges facing state government at the same time 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 as contractually required 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, EMS and ambulance providers, regional transit agencies and families and friends 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.

NOTE: Attachment A shows SFY 2013 cost at $24,105,761, while Attachment J shows total projected cost for SFY 2013 at $26,054,403. Logisticare assumes actual program cost for SFY 2013 will be closer to the Attachment J $26,054,403 and as such has used this cost figure as a starting point to determine total transportation cost used to establish our proposed PMPM rates.

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
- Over utilization of EMS Companies (non-emergency ambulance transports) for both afterhours discharges and routine transports
- 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 three areas of immediate focus where we feel we could have a significant impact on the program and these include a) right-sizing non-emergency ambulance to a lower cost mode of transportation b) the validation of mileage of all trips, in particular the gas reimbursement paid to friends and family and c) requiring members to arrange transportation through LogistiCare, not directly with the transportation provider.

The table below illustrates LogistiCare's national experience in several of our State Medicaid markets in handling various levels of transport. The first area of attention is in the **non-emergency ambulance volume.** As you can see, LogistiCare has processed (meaning authorized and adjudicated) over 160,000 ambulance claims in the first six months of 2013. This review process often includes a validation to a prior authorization number provided at our call center, a review of the patient care report if warranted and or proof of a Medicare claims denial for dual eligible. As you can see below in those markets where mature networks exist that offer various levels of transports, non-emergency ambulance account for roughly three percent of the total transports offered. The challenge here will be creating a network of transportation providers over time willing to offer these lower levels of transports for routinely scheduled appointments, such as dialysis.

Combination of Six LogistiCare State Markets		
State Medicaid Programs Modes of Transportation	Q1 and Q2 2013 Completed Trip Volume	% Mix
Commercial (Taxi/Commercial Providers)	4,151,061	72.7%
EMS (Non-emergency Ambulance)	168,723	3.0%
Gas Reimbursement (Family and Friends)	446,093	7.8%
Public Transit (Mass Transit)	550,573	9.6%
Transit (County/State Agencies)	297,497	5.2%
Volunteer Drivers	95,497	1.7%
Grand Total	**5,709,444**	**100.0%**

The second area of focus will be the controls around the **friends and family 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. The validation of covered medical services and mileage is key in maintaining the integrity of any gas/mileage reimbursement program.

The third area relates to the answer to question #31 Item 1 – Specifically, **"1. 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. To identify and reduce fraudulent trips, the member 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.

Another specific component of transportation cost is our utilization management.

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 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 Improvement	*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 Maintenance/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 your SFY 2013 membership level of 411,169. 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 start to save BMS about 4.18% annually by the third year. 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 shows that the increase in program cost that LogistiCare has submitted to BMS is strictly driven by additional administrative cost along with the estimated increase in members. Of course, this 4.18% savings would continue to increase as the Medicaid membership continues to grow.

	RFP Provided Member Months SFY 2013 (Attachment H)	LGTC Bid	LGTC's $ based on SFY 2013 Members	Historical Spend (with NO admin cost incurred by Agency - Attachment J)	LGTC Savings Per Year based on SFY 2013 Member Count	Annual Savings from Historical Annual Spending
SFY 2014	411,169	$ 5.42	$ 26,742,432	$ 26,054,403	$ (688,029)	-2.64%
SFY 2015	411,169	$ 5.15	$ 25,410,244	$ 26,054,403	$ 644,159	2.47%
SFY 2016	411,169	$ 5.06	$ 24,966,182	$ 26,054,403	$ 1,088,221	4.18%

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.

REQUEST FOR PROPOSAL

Department of Health and Human Resources
Bureau for Medical Services
RFP # BMS14054

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)				
Expense				**Cost**
1	Staffing			**$ 187,183.43**
2	Computer, Including Software			**$ 6,199.11**
3	Telephone/Communications			**$ 20,349.19**
4	Facilities			**$ 12,945.83**
5	Consulting Services			**$ 3,500.00**
6	Other (detail on separate page)			**$ 56,940.73**
Total Implementation Cost [1] (Sum of Expense Cost)				**$ 287,118.29**
Operations Cost				
Contract Year	**Estimated Participant Population** [2]	**Per Member Per Month Rate**		**Cost**
SFY2014 (July 2013-June 2014)	483,000	$ 5.42	12	**$ 31,414,320.00**
SFY2015 (July 2014-June 2015) Optional Renewal Year	500,000	$ 5.15	12	**$ 30,900,000.00**
SFY2016 (July 2015-June 2016) Optional Renewal Year	510,000	$ 5.06	12	**$ 30,967,200.00**
Total Operations Cost [3] **(Sum of Operations Costs for all Contract Years).**				**$ 93,281,520.00**
Total Cost [4] (Sum of Transportation Implementation Cost and Total Operations Cost)				**$ 93,568,638.29**

Additional Detail for #6

Equipment Expense	$ 3,297
Office Supplies, Cleaning & Moving Expense	$ 24,259.53
Travel and Lodging	$ 29,384.47
Total	$ 56,940.73

REQUEST FOR PROPOSAL

Department of Health and Human Resources

Bureau for Medical Services

RFP # BMS14054

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,LLC

(Company)

Albert Cortina, Chief Administrative Officer

(Representative Name, Title)

404-888-5800/ 404-888-5999

(Contact Phone/Fax Number)

December 6, 2013(Date)