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**SECTION V: COST PROPOSAL REQUIREMENTS****A. Introduction**

The Department seeks to make an award to that responsive and responsible Offeror that will meet the Department's requirements and needs and provide the best value to the Department during the term of the Contract.

The Department expects Offerors to propose an aggressive pricing proposal consistent with the size and functional requirements for the DSS.

The sole compensation for the Contractor under the Contract will be payments based on pricing indicated in the Contractor's Cost Proposal, subject to applicable Not-To-Exceed amounts, if any.

During the term of the Contract and any extension period thereto, amounts paid for which it is subsequently determined that the Contractor was not entitled, if any, must be refunded to the Department. Submission of an invoice and payment thereof shall not preclude the Department from recovery or offset of payment in any case where Project Services as delivered are found to deviate from the terms and conditions of the Contract.

Evaluation of Cost Proposals will be performed in accordance with the provisions presented in Section VI of the RFP.

**B. Cost Structure and Assumptions**

This section of the RFP sets forth the requirements for the Offeror's Cost Proposal submission and the cost structure required by the Department for Offerors to use in developing their submission. The Offeror's Cost Proposal must respond to all of the following mandatory sections as set forth below in the formats as specified and, as applicable, using the tables set forth in **Exhibit Q "DSS Cost Forms."** The Offeror's Cost Proposal must be based upon the assumptions and instructions as set forth herein the RFP

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and specifically this Section V and **Exhibit Q**. The Offeror's Cost Proposal must contain responses to all of the items listed under the Required Submission Material subsections in this Section V of the RFP in the order and format specified.

Cost Proposals will be evaluated based on the Offeror's responses to the information sought in Section V of the RFP (Note: see the "Required Submission Material" subsections throughout this Section V of the RFP).

**1. The Cost Proposal shall consist of the following:**

- a. A ***"DSS Implementation Total Not-To-Exceed Amount"*** to cover all of the Contractor's DSS Solution design, development and implementation activities and their associated costs;
- b. An all-inclusive fixed ***"Ongoing Operations Monthly Fee"*** for the Contractor's performance of ongoing Project Services, which includes the 400 hours of consulting services to be provided during the balance of the term of the Contract and any extension period thereto, once Implementation activities have been completed and accepted by the Department, at its sole discretion, and the DSS Solution is fully operational;
- c. ***"Incremental Ongoing Training Rates"*** to cover ongoing training required as a result of User turnover, system changes and upgrades, during the term of the Contract and any extension period thereto, once Implementation activities have been completed and accepted by the Department, at its sole discretion, and the DSS Solution is fully operational;
- d. A one-time, fixed fee, ***"Data Provider Start-up Fee"*** per new Data Provider, to cover all of the Contractor's costs to add a new Data Provider, should the DSS Solution be expanded to include additional NYSHIP programs, or replace an existing Data Provider, in the DSS Solution during the term of the Contract and any extension

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- period thereto, once Implementation activities have been completed and accepted by the Department, at its sole discretion, and the DSS Solution is fully operational; and
- e. **“Additional User Fees”** to cover any increase to the total number of active Users at a given level as requested by the Department, at its sole discretion. The Additional User Fees would be applicable for the term of the Contract and any extension period thereto.
  - f. **“Additional Consulting Support Services Fees”** to cover analytical support and expert guidance requested by the Department in relation to special or exigent projects. These services are separate and apart from User Training, either initial or incremental ongoing training and in addition to the minimum of 400 hours of consulting support services included at no additional cost during the Ongoing Operational phase of the contract.
  - g. **“Other Assumptions, Terms and Payment Provisions”** applicable to Contractor performance under the Contract.

## 2. Duties and Requirements

### a. *DSS Implementation Total Not-To-Exceed Amount:*

#### (1) *Duties and Responsibilities:*

The Department seeks the completion of all Implementation activities as soon as practicable in accordance with the Offeror’s proposed DSS Solution Implementation approach, but not later than one year from the effective date of the Contract.

- (a) During the Implementation Phase, the Department will make monthly payments, in arrears, to the Contractor for design, development and implementation costs incurred by the Contractor in its performance of

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services/activities described in Section IV.B based on the Personnel, Hardware, Software, Training and Other Cost Categories quoted rates as set forth in the Offeror's Proposal (**Exhibit Q**, Tables 3 through 7), subject to the Not-To-Exceed caps associated with each Cost Category. If a Contractor does not seek separate reimbursement of personnel, hardware, software or training costs, but instead, proposes a fixed flat fee, the fixed flat fee would be based on the DSS Implementation - Other Costs category's Not-To-Exceed amount (Table 7) and that amount would represent the total actual costs to the Department to implement the DSS Solution. Costs incurred by the Contractor in excess of the Total Not-To-Exceed Amounts for Personnel, Hardware, Software, Training and Other costs, if any, shall not be subject to reimbursement by the Department. As regards the Total Not-To-Exceed – Amount - Training Cost cap (**Exhibit Q**, Table 6), notwithstanding the preceding, additional costs incurred resultant from the Contractor training more Users than the number of Users assumed in **Exhibit Q**, Table 6 will not be applied against the Total Not-To-Exceed - Training Cost cap.

- (b) Notwithstanding any payments made to the Contractor during the Implementation Phase associated with any Cost Category, title to all products provided by the Contractor during the Implementation Phase shall remain with the Contractor and shall not transfer to the Department until the Contractor's DSS Solution is accepted by the Department, in its sole discretion.
- (c) Ten percent (10%) of each monthly invoice amount will be withheld from each monthly amount paid to the Contractor (Surety Withhold). The total of all Surety Withhold amounts withheld will be due to the Contractor upon Department acceptance, in its sole discretion, of a fully functional DSS Solution.
- (d) Should the Contractor's DSS Solution ultimately not be accepted by the Department, the Contractor will be considered in default of the Contract and

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the Contract shall be subject to termination for cause. In such case of default, the Contractor shall forfeit all Surety Withhold amounts withheld, refund any monies paid to the Contractor during the Implementation Phase and forfeit its right to reimbursement by the Department of any and all costs incurred by the Contractor under the Contract.

(2) **Required Submission Material**

- (a) The Offeror must provide a clear statement of agreement to the duties and responsibilities required by Section V B.2.a.(1).
- (b) The Offeror must submit completed **Exhibit Q, Tables 1 through 7**, in accordance with the instructions and pricing assumptions set forth therein, in response to this subsection V.B.2.a as set forth below:

Table 1: DSS Total Projected Cost

Table 2: DSS Implementation Total Not-To-Exceed Amount

Table 3: Total Not-To-Exceed Amount – Personnel Costs

Table 4: Total Not-To-Exceed Amount – Hardware Costs

Table 5: Total Not-To-Exceed Amount – Software Costs

Table 6: Total Not-To-Exceed Amount – Training Costs

Table 7: Total Not-To-Exceed Amount – Other Costs

**b. *Ongoing Operations Monthly Fee for Ongoing Operations***

(1) **Duties and Responsibilities:**

- (a) The payment of the ***Ongoing Operations Monthly Fee*** shall commence with the first FULL month following the date on which all Implementation activities are completed and accepted by the Department, at its sole discretion, and the DSS Solution is fully operational. If Implementation activities are completed and accepted by the Department, at its sole discretion, and the DSS Solution is fully

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operational on a date other than the first day of the month such that the DSS Solution is fully operational for only part of a month, then the Contractor shall be due a ***DSS Partial Month Ongoing Operations Fee*** equal to the ***Ongoing Operation Monthly Fee*** times the number of Calendar Days during said partial month during which the Offeror's proposed DSS Solution is fully operational divided by the total number of Calendar Days in said partial month, assuming that the date the Contractor's DSS Solution is fully operational is not later than one (1) year from the effective date of the Contract. If the date Contractor's DSS Solution is deemed fully operational is later than one (1) year from the effective date of the Contract, then, the Contractor shall not be due a ***DSS Partial Month Ongoing Operations Monthly Fee***.

- (b) The ***Ongoing Operations Monthly Fee*** rate quoted must be a fixed all-inclusive rate to cover all of the Offeror's costs in fulfilling its duties and responsibilities in the performance of Project Services as set for in Section IV.B of the RFP, except the delivery of Incremental Ongoing Training, adding a new Data Provider to the DSS Solution, Additional User Fees, if any, and Additional Consulting Support Services, if any. The ***Ongoing Operations Monthly Fee*** charged to the Department for such services shall be quoted on a fixed all-inclusive dollar amount per month basis and the rate quoted will remain unchanged over the initial five (5) year term of the Contract (i.e., the rate quoted and charged for the first month of ongoing operations will be the same as the rate charged for the last month of ongoing operations).
- (c) The ***Ongoing Operations Monthly Fee*** shall be the sole and exclusive fee chargeable to and payable by the State under the Contract for the performance of Project Services as set for in Section IV.B of the RFP once the DSS Solution is fully operational, except the payment of Additional User Fees, if any and any fees for Incremental Ongoing Training provided, Additional Consulting Support Services, if any and/or adding new a Data Provider and the payment of a ***DSS Partial Ongoing Operations Fee***, if any.

- (d) In developing its *Ongoing Operations Monthly Fee*, the Offeror should consider the following information:
- (i) As of June 2010, there are approximately 531,700 enrollees and an additional 539,100 dependents in the Empire Plan (including the Excelsior Plan and SEHP) as reported by the NYBEAS enrollment bringing the total Covered Lives in the Empire Plan to approximately 1,070,800. With the inclusion of HMO enrollees and dependents, the total number of covered lives in NYSHIP is approximately 1,202,000.
  - (ii) There are currently five (5) Data Providers, i.e. insurers/administrators, as follows: Empire Plan hospital contract insurer (currently EBCBS), Empire Plan medical contract insurer (currently UHICNY), Empire Plan mental health and substance abuse contract insurer and benefit administrator (currently UHICNY and Optum), Empire Plan prescription drug contract insurer and benefit manager (UHICNY and Medco), and the Department for enrollment eligibility data that will be loaded into the DSS Solution. The Department does not guarantee that these Data Providers will not change during the term of the contract and subsequent extension, if any.
  - (ii) Updates will be received from Data Providers at least monthly.
  - (iv) At a minimum, the DSS must maintain six (6) Plan Years of data plus the current Plan year-to-date data accessible to the Department's and Department designated Users via the DSS Solution.
- (e) Should changes including, but not limited to, an increase or decrease in enrollment or the addition or loss of Data Provider(s) cause the volume of data and related storage needs of the Department to increase or decrease by 15% or more, over the term of the Contract, the Contractor may request a change in the

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***Ongoing Operations Monthly Fee.*** In such cases, if any, the Department will review and consider the justification submitted by the Contractor. The Department reserves the right to request, and the Contractor shall be required to provide, any additional information and documentation the Department deems necessary to verify that the request for a change in the ***Ongoing Operations Monthly Fee*** is warranted. The Department's decision to modify the ***Ongoing Operations Monthly Fee*** to the extent necessary to compensate the Contractor for documented additional costs incurred shall be at the sole discretion of the State, and if deemed warranted by the Department, then said change shall require a formal amendment to the Contract and must be approved by the OSC.

- (f) If a significant change in technology or benefits occurs during the term of the Contract which materially impacts the Offeror's level of effort or cost, to either a greater or lesser extent, the State reserves the right to renegotiate the ***Ongoing Operations Monthly Fee***. In such cases, if any, the Department will review and consider the justification submitted by the Contractor. The Department reserves the right to request, and the Contractor shall be required to provide, any additional information and documentation the Department deems necessary to verify that the request for a change in the ***Ongoing Operations Monthly Fee*** is warranted. The Department's decision to modify the ***Ongoing Operations Monthly Fee*** to the extent necessary to compensate the Contractor for documented additional costs incurred shall be at the sole discretion of the State, and if deemed warranted by the Department, then said change shall require a formal amendment to the Contract and must be approved by the OSC

(2) **Required Submission Material**

- (a) The Offeror must provide a statement of agreement to the duties and responsibilities as required by Section V B.2.b.(1).

- (b) The Offeror must submit completed **Exhibit Q, Tables 1, 8, and 8A**, in accordance with the instructions and pricing assumptions set forth therein, in response to this subsection V.B.2.b. as set forth below:

Table 1: DSS Total Projected Cost

Table 8: DSS Ongoing Operations Monthly Fee

Table 8A: DSS Partial Month Ongoing Operations Fee

- c. ***Incremental Ongoing Training Rates*** to provide, at the Department's request, training on an ongoing basis to handle User turnover, system changes and upgrades (i.e., "Incremental Ongoing Training").

(1) **Duties and Responsibilities:**

- (a) During the term of the Contract, as a result of User turnover, system changes and upgrade the Department may require/request the delivery of Incremental Ongoing Training from the Contractor.
- (b) When requested by the Department, the Contractor must provide Incremental Ongoing Training services at the associated rates as quoted in the Contractor's Proposal.

(2) **Required Submission Material**

- (a) The Offeror must provide a clear statement of agreement to the duties and responsibilities as required by Section V B.2.c.(1).
- (b) The Offeror must submit a completed **Exhibit Q, Table 9**, in accordance with the instructions and pricing assumptions set forth therein, in response to this subsection V.B.2.c. as set forth below:

Table 9: Incremental Ongoing Training Rates

d. *Data Provider Start-up Fee* to add a new Data Provider to the DSS Solution.

(1) **Duties and Responsibilities:**

- (a) During the term of the Contract, once Implementation activities have been completed and accepted by the Department, at its sole discretion, and the DSS Solution is fully operational, changes in the Data Providers may occur. The Contractor shall integrate a data feed with the new Data Provider into the DSS Solution effective with the contracted effective date of the new Data Provider into the Empire Plan or other NYSHIP benefit should the DSS Solution be expanded to include additional programs during the term of the Contract and any extension period.
- (b) The Contractor shall be reimbursed for services rendered as required in this section V.B.2.d to add a new Data Provider at the associated one-time fixed all-inclusive rate as quoted in the Contractor's Cost Proposal. No additional or incremental Ongoing Operations Monthly Fee is allowed resultant from the addition of a new Data Provider.
- (c) The Contractor must include the run-out data that is received from the previous Data Provider in the DSS Solution for up to three (3) years after the date a change in Data Providers is made.

(2) **Required Submission Material:**

- (a) The Offeror must provide a statement of agreement to the duties and responsibilities as required by Section V B.2.d.(1)

- (b) The Offeror must submit a completed **Exhibit Q, Table 10**, in accordance with the instructions and pricing assumptions set forth therein, in response to this subsection V.B.2.d. as set forth below:

Table 10: Data Provider Start-up Fee

**e. Additional User Fees**

(1) **Duties and Responsibilities**

- (a) At a minimum, there will be approximately 45 Users with various levels of access as described in Section IV.B.3.a. As part of its proposed DSS Ongoing Operations Fee, the Offeror shall incorporate the cost of any proposed User access, use or licensing fees associated with the assumed number of Users (i.e., fifteen [15] Level 1 Users, ten [10] Level 2 Users and twenty [20] Level 3 Users).
- (b) During the term of the Contract, and any extension thereof, the Department may, in its sole discretion add, change, delete or deactivate Users in one or more of levels. Deleted/Deactivated Users may be replaced with new Users at no additional charge to the Department, assuming that during the Operations phase of the Contract the total number of Users is not greater than the assumed number of Users for the given level. If, during the Operations phase of the Contract, the number of active Users in a given level is less than the assumed number for that level, no reduction in the DSS Ongoing Operations Fee will be due the Department. During the Operations phase of the Contract, if during a given month, the number of active Users in a given level is greater than the assumed number of Users for that level, the Offeror may, but is not required to, propose a per user per month Additional User Fee to be charged to the Department for each User beyond the assumed number of Users. Additional User Fees charged, if any, will be added to the Contractor's DSS Ongoing Operations. For example if the number of Level 1 Users in month fourteen of the Contract term is fifteen, then no

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Level 1 Additional User Fee would be due the Contractor. If the number of Level 1 Users in month fifteen is seventeen, then, for that month, in addition to its DSS Ongoing Operations Fee, the Contractor would be due two (2) times its proposed Level 1 per user per month fee as set forth on “Range of Users” line 16 – 20 Table 11.

(2) **Required Submission Material**

- (a) The Offeror must provide a statement of agreement to the duties and responsibilities as required by Section V B.2.e.(1) and (2).
- (b) The Offeror must submit a completed **Exhibit Q, Table 11**, in accordance with the instructions and pricing assumptions set forth therein, in response to this subsection V.B.2. as set forth below:

Table 11: Additional User Fee

**f. Additional Consulting Support Services Fees**

(1) **Duties and Responsibilities**

- (a) The Offeror must include a minimum of 400 hours, post Implementation, of Consulting Support Services as stated in Section IV B.6 of this RFP, for enhanced analytical assistance to Users at the Department’s request.
- (b) Such Consulting Support Services are not to be considered as User Training, either initial or incremental ongoing training.

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(2) **Required Submission Material**

- (a) The Offeror must provide a statement of agreement to the duties and responsibilities as required by Section V B.2.f.(1) and (2).
- (b) The Offeror must submit a completed **Exhibit Q, Table 12**, in accordance with the instructions and pricing assumptions set forth therein, in response to this subsection V.B.2. as set forth below:

Table 12: Additional Consulting Support Services Fees

g. **Other Assumptions, Terms and Payment Provisions**

(1) **Duties and Responsibilities:**

- (a) The Contract shall commence on the approval date of the Contract by the OSC (“effective date”) and shall be for a term of five (5) years from the effective date, with one (1) year optional extension period. Said optional extension is at the sole discretion of the Department and are subject to formal written amendment and the approval by the OAG and OSC.

Should the Department choose to exercise its right to extend the Contract, the Contractor or Department may request a rate change (increase or decrease) to the *Ongoing Operations Monthly Fee*; the *Data Provider Start-up Fee*, the *Incremental Ongoing Training Rates*, and *Additional Consulting Support Services Fees* rates based upon fluctuations in the latest published copy of the Consumer Price Index - All Urban Consumers (CPI-U) as published by the U.S. Department of Labor, Bureau of Labor Statistics, Washington, D.C. 20212. The index is also available through the Internet at the Bureau of Labor Statistics web site at <http://stats.bls.gov/> . [Go to “Inflation & Prices” then click “Consumer

*Price Index” and then click on “CPI Tables” then click on “Table Containing History of CPI-U U.S. All Items Indexes and Annual Percent Changes From 1913 to Present.”]*

Price adjustments using the CPI to calculate rates for an extension period involve changing the base rates (i.e., then current rates) by the percent change in the level of the CPI between the Reference Period and the Subsequent Time Period. This is calculated by first determining the Index Point Change between the two periods and then the percent change. The price adjustment shall be calculated as follows: Take the CPI for the 3rd month prior to the month of the start date of either the last year of the Contract or the last approved annual extension period, whichever is later (Reference Period) and subtract this figure from the CPI value for the 3rd month prior to the start date of the extension period (Subsequent Time Period). (For example, if the effective date of the Contract is January 1, and there have been no approved annual extension periods and the start date of the last year of the Contract is January 2016; then the Reference Period would be October 2015 and the Subsequent Time Period would be October 2016.) That sum is then divided by the CPI value for the Reference Period and this result is then multiplied by 100 to equal the percent change which is the price adjustment value. This percentage of increase or decrease shall be effective as of the start date of the extension period. The following example illustrates the computation of percent change:

Subsequent Time Period – CPI for the 3rd month prior to the start date of the extension period (October 2016 based on the above example)	136.0
Less: Reference Period – CPI for the 3rd month prior to the month of the start date of the last year of the Contract or the last approved annual extension, whichever is later (October 2015 based on the above example)	<u>129.9</u>
Equals Index Point Change	6.1
Divided by the Reference Period CPI (October 2015 based on	

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the above example)	<u>129.9</u>
Equals Percent Change	0.047
Result multiplied by 100	0.047
	<u>x 100</u>
Equals Percent of Adjustment to be applied to the base rates to calculate rates for the extension period	4.7%

The Contractor has the sole responsibility to request an annual rate change during said optional extension period and, in such case, the Contractor shall provide a copy of the index and other supporting documentation necessary to support the increase or decrease to the Department. Should the Contractor fail to request a rate change at the time the amendment is executed by the Parties, the Contractor shall be deemed to have waived its right to any increase in price associated with that year, however, the State shall not be barred from making the appropriate adjustment, at anytime during the Contract term as amended, in the case of a decrease determined in accordance with the above methodology.

- (b) The State shall render payment for invoices in accordance with ordinary State procedures and practices. The Contractor must certify the accuracy of all Contractor invoices prior to their submission to the Department and the Department will make best efforts to process all acceptable invoices within thirty (30) days of their receipt.
- (c) The Department reserves the right to negotiate any aspect of the proposed rate(s)/fee(s).

(2) **Required Submission Material:**

The Offeror must provide a clear statement of agreement to the duties and responsibilities as required by Section V B.2.e.(1). There is no submission table associated with or required of this subsection.