Redacted Cost Proposal

Submitted To:
New York State Department of Civil Service
RFP #2013 MH-1

Subject:
Management of the Mental Health and Substance Abuse Program for the Empire Plan, Excelsior Plan and the Student Employee Health Plan

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Submission Date:
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B. COST PROPOSAL COMPONENTS

The following present the Cost Proposal components, associated duties and responsibilities and the Cost Proposal submission requirements.

1. NETWORK CLAIMS

A. DUTIES AND RESPONSIBILITIES

1) In accordance with Section IV of the RFP, the Contractor must contract with Network Providers. The amount charged to the MHSA Program shall be the contracted Network Provider fee less, any applicable Copayment and coordination of benefits when the claim is processed as secondary coverage.

Magellan confirms we will meet this requirement.

2) The Contractor agrees that the weighted average of the actual Network Provider fees to be charged to the MHSA Program for each CPT, HCPCS and Revenue Code implemented on January 1, 2014 shall not exceed the amounts quoted in Exhibit V.A. During implementation, the Contractor shall submit an analysis confirming that the weighted average contracted 2014 Provider Network fees are less than or equal to the fees quoted in Exhibit V.A, subject to the review and written approval of the Department. No increases to the Network Provider fees, charged to the MHSA Program, will be permitted for the 2014 Plan year.

Magellan confirms we will meet this requirement.

3) For each Plan year after 2014, the Contractor must manage the Network Provider fee charged to the Department such that the annualized aggregate impact on MHSA Program costs of any proposed modification to the Network Provider fee is capped by the annual increase in CPI-W for medical care, as reported by the Bureau of Labor Statistics for the month of July of the preceding calendar year.

Magellan confirms we will meet this requirement.

4) Claim Payments are to be made based on the requirements contained in Articles 6.11.0 and 12.1.0 of the Agreement resulting from this RFP, including but not limited to each group's Copayment, Co-insurance, Deductible as reflected in Exhibit II.B; and Exhibit II.B2 as well as the annual maximum for ABA services as reflected in the most current Plan Communication materials.

Magellan confirms we will meet this requirement.

5) Network Pricing Guarantee: The Contractor is responsible for managing modifications , if any, to the fees paid to Network Providers in Plan years two through five of the Agreement to the extent such modifications in the Provider Network fees are in the best financial interest of the MHSA Program and the Department, as solely determined by the Department. During each Plan year, the Contractor must report any proposed Provider Network fee schedule modifications, if any, and the estimated financial impact to the MHSA Program to the Department prior to any such changes. The MHSA Program allows for Network Provider fee increases every Plan year after 2014; however, the annualized aggregate impact on MHSA Program costs of any modification to the Network Provider fees shall be reviewed and shall be capped by the annual increase in CPI-W for medical care, as reported by the Bureau of Labor Statistics for the month of July of the preceding calendar year. This annual review of any modification to the Network Provider fees shall be completed by the Contractor, in writing, for final review and written approval by the Department. The annual review provided by the Contractor shall include a calculation of the aggregate impact of the modification of Network Provider fees, for that Plan year, as compared to the Network Provider fees paid in the base year, based on the actual utilization of each Network Provider and service in the base year. The following presents the current and base years for each annual review covered by the Agreement:

Report Due	Base Year	Current Year
6/30/16	2014	2015
6/30/17	2015	2016
6/30/18	2016	2017
6/30/19	2017	2018

The calculated aggregate impact of the Network Provider fee modification for that Plan year, normalized for any change in enrollment, will be compared to the maximum allowable CPI increase to determine the Contractor's compliance with the Network Provider pricing guarantee. At the conclusion of each annual review, the Contractor shall forfeit a specific dollar amount of the Administrative Fee for failure to meet this guarantee, as follows.

For each annual review, the Contractor's amount to be credited against the Administrative Fee for each .01 to 1.0% increase in the aggregate MHSA Program Network costs in excess of the annual increase in the CPI-W for medical care as reported by the Bureau of Labor Statistics for the month of July is $250,000.

Magellan confirms we will meet this requirement.

B. REQUIRED SUBMISSION

1) Confirm the Offeror's agreement to perform/fulfill and comply with the duties and responsibilities listed in Section V.B.1a.above, Section IV of the RFP and Section VII, Articles 6.10.0 and 12.1.0 of the RFP.

Magellan confirms our agreement to perform/fulfill and comply with the duties and responsibilities listed in Section V.B.1a.above, Section IV of the RFP and Section VII, Articles 6.10.0 and 12.1.0 of the RFP.

2) The Offeror must complete Exhibit V.A, Quoted Average Network Fees by CPT, HCPCS and Revenue Code, in accordance with the instructions contained in Exhibit V.A.1 of the RFP.

Magellan has completed Exhibit V.A, Quoted Average Network Fees by CPT, HCPCS and Revenue Code (provided behind the tab labeled **Exhibit V.A. Claims Analysis**) in accordance with the instructions contained in Exhibit V.A.1 of the RFP.

3) The Offeror must complete Exhibit V.B, Network Fees - Applied Behavioral Analysis Benefits, in accordance with the instructions contained therein.

Magelann has completed Exhibit V.B, Network Fees - Applied Behavioral Analysis Benefits (provided behing the tab labeled **Exhibit V.B Applied Behavioral Analysis Fee Quote**) in accordance with the instructions contained therein.

2. NON-NETWORK CLAIMS

A. DUTIES AND RESPONSIBILITIES

1) The Contractor will accurately process Non-Network claims and make payments directly to the Enrollee in a timely manner.

Magellan confirms we will meet this requirement.

2) The Contractor will process Non-Network claims using Reasonable and Customary charges based on the 90th percentile of charges for each service performed. Reasonable and Customary means the lowest of:

1. The actual charge for services; or

2. The usual charge for services by the Provider for the same or similar service; or

3. The usual charge for services of other Providers in the same or similar geographic area for the same or similar service.

Magellan confirms we will meet this requirement.

3) The claim payments are to be made based on the requirements contained in Section IV of the RFP, including but not limited to each group's Co-insurance and Deductible as reflected in Exhibit II.B; and Exhibit II.B2 as well as the annual maximum for ABA services.

Magellan confirms we will meet this requirement.

4) Where a Network Provider is not available because of clinical or access considerations, the Contractor must negotiate a Single Case Agreement with a Non-Network Provider in a manner consistent with what is typically allowed for a Network Provider in the same discipline for the same service. The Contractor must pay the claim and charge the MHSA Program as if the services were incurred in-network.

Magellan confirms we will meet this requirement.

5) The Contractor will update its database with Fair Health's Reasonable and Customary amounts in a timely manner, at a minimum of twice a year.

Magellan confirms we will meet this requirement.

B. Required Submission

1) Confirm the Offeror's agreement to perform/fulfill and comply with the duties and responsibilities listed in Section V.B.2.a. above, Section IV of the RFP and Section VII, Article 12.2.0 of the RFP.

Magellan confirms our agreement to perform/fulfill and comply with the duties and responsibilities listed in Section V.B.2.a. above, Section IV of the RFP and Section VII, Article 12.2.0 of the RFP.

3. Administrative Fee

The Administrative Fee is the fee quoted by the Contractor representing the charge to the MHSA Program to cover all of the administrative services provided by the Contractor, with the exception of Shared Communication Expenses.

A. Duties and Responsibilities

The Contractor is required to:

1) Be bound by its quoted Administrative Fee, as proposed in the Contractor's Cost Proposal for the entire term of the Agreement, unless amended in writing;

Magellan confirms we will meet this requirement.

2) Manage all MHSA Program Enrollees based on the Contractor's Administrative Fee, as proposed by the Contractor in its Cost Proposal;

Magellan confirms we will meet this requirement.

3) Implement any changes necessary to accommodate MHSA Program modifications resulting from collective bargaining, legislation or within the statutory discretion of the State within 60 days of notice;

Magellan confirms we will meet this requirement.

4) Implement all benefit designs as required by the Department with or without final resolution of any request for an Administrative Fee adjustment. Refusal to implement benefit design changes will constitute a material breach of the Agreement and the Department will seek compensation for all damages resulting;

Magellan confirms we will meet this requirement.

5) Agree not to request a higher Administrative Fee, and the Department will not consider any increase to the Administrative Fee that is not based on a material change to the MHSA Program requiring the Contractor to incur additional costs. The determination of what constitutes a material change will be at the sole discretion of the Department;

Magellan confirms we will meet this requirement.

6) Submit detailed documentation of additional administrative/clinical costs, over and above existing administrative/clinical costs, with any request for an increase in the Administrative Fee resulting from a material change in the benefit structure of the MHSA Program. The Department reserves the right to request and the Contractor agrees to provide any additional information and documentation the Department deems necessary to verify that the request for an increase to the Administrative Fee is warranted. The Department's decision to modify the Administrative Fee to the extent necessary to compensate the Contractor for documented additional costs incurred shall be at the sole discretion of the Department, subject to the approval of a formal amendment to the Agreement by the New York State Attorney General and New York State Office of State Comptroller;

Magellan confirms we will meet this requirement.

7) Agree that the Administrative Fee shall be payable only for the number of covered Enrollees each month and that the number of covered Enrollees for a given month shall be determined by the Department based upon monthly MHSA Program enrollment data contained in NYBEAS; and

Magellan confirms we will meet this requirement.

8) Claims incurred during the period January 1, 2014 through December 31, 2018 but processed/paid after December 31, 2018, as well as applicable Disabled Lives claims incurred after December 31, 2018 will be administered by the Contractor selected in response to this RFP. An Administrative Fee will not be payable beyond December 31, 2018; therefore, Offerors should take this into consideration in developing their proposed Administrative Fee.

Magellan confirms we will meet this requirement.

B. REQUIRED SUBMISSION

1) Confirm the Offeror's agreement to perform/fulfill and comply with the duties and responsibilities listed in Section V.B.3.a. above.

Magellan confirms our agreement to perform/fulfill and comply with the duties and responsibilities listed in Section V.B.3.a. above.

2) The Offeror is required to provide the Offeror's Administrative Fee quote in Exhibit V.C

Magellan has provided our Administrative Fee quote in Exhibit V.C behind the tab labeled **Exhibit V.C. Administrative Fee Evaluation**.

4. ASSESSMENTS

In accordance with the Health Care Reform Act of 1996, two assessments/surcharges are chargeable to applicable health plans, including the Empire Plan: 1) Graduate Medical Expense (GME) and 2) Bad Debt and Charity (BDC) Assessment. The GME component of the Empire Plan is assessed on the Hospital component of the Empire Plan and therefore not chargeable under the MHSA Program. The BDC is applicable to the MHSA Program.

In addition, other fees and assessments as stipulated by State or federal law may be applicable over the term of the contract. Such amounts shall be paid by the MHSA Program either through the Contractor or directly to the authorized agency after a determination is made by the Department regarding the applicability of each fee/assessment to the MHSA Program.

A. Duties and Responsibilities

1) The Contractor shall calculate the applicable BDC each month from the applicable paid claims and may charge the MHSA Program at the time this assessment is paid to the regulatory agency/intermediary by the Contractor.

Magellan confirms we will meet this requirement.

2) The Contractor shall advise the Department of any new applicable assessments in a timely manner.

Magellan confirms we will meet this requirement.

3) The Contractor shall bill the MHSA Program for any new assessments within 30 days after the amounts are paid to the regulating entity.

Magellan confirms we will meet this requirement.

B. Required Submission

1) Confirm the Offeror's agreement to perform/fulfill and comply with the duties and responsibilities in Section V.B.4.a. above.

Magellan confirms our agreement to perform/fulfill and comply with the duties and responsibilities in *Section V.B.4.a.* above.

2) Disclose other applicable assessments, if any, including the amount and basis of the assessment, made by other states/federal government that are applicable to the MHSA Program. Advise whether these assessments can be paid by the Offeror on behalf of the MHSA Program or if they would be directly paid by the Department.

Magellan's Pricing Proposal does not include or incorporate any provisions or costs associated with (i) Graduate Medical Expense (GME) or (ii) Bad Debt and Charity (BDC) assessments which are assumed to be assessments/surcharges applicable directly to the Empire Plan.

5. Shared Communication Expense

A. Duties and Responsibilities

1) The Contractor will pay the medical carrier/third party administrator on a quarterly basis an amount billed for Shared Communication Expenses. The Contractor will be notified prior to the beginning of each Plan Year the amount of Shared Communication Expenses that will be billed.

Magellan confirms we will meet this requirement.

2) The Contractor shall seek reimbursement of the Shared Communications Expense from the Department by including the amount with the voucher for the payment of the next Administrative Fee to be paid.

Magellan confirms we will meet this requirement.

B. Required Submission

1) Confirm the Offeror's agreement to perform/fulfill and comply with the duties and responsibilities in Section V.B.5.a. above.

Magellan confirms our agreement to perform/fulfill and comply with the duties and responsibilities in *Section V.B.5.a.* above.

C. PAYMENTS/ (CREDITS) TO/ FROM THE CONTRACTOR

This Section presents information regarding the financial structure and timing of financial transactions related to the Agreement and the specific items Offerors must submit with their Cost Proposal and questions related to those requirements.

The following information is presented for use by Offerors in developing their Cost Proposal. As of October 2012, there were 231,297 individual contracts and 290,800 family contracts with Empire Plan Mental Health and Substance Abuse coverage. In addition to the Empire Plan contracts, there are 126 individual contracts and 110 family contracts with the Excelsior Plan and 4,737 individual contracts and 767 family contracts with the Student Employee Health Plan (SEHP) benefits. The enrollment mix and benefit characteristics are presented in Exhibit II.A through Exhibit II.A4; Exhibit II.C; Exhibit II.C2; and Exhibit II.D. of this RFP. However, the Department cannot guarantee that, during the term of the Agreement, the same enrollment mix and benefit characteristics as those set forth in Exhibit II.A through Exhibit II.A4; Exhibit II.C; Exhibit II.C2; and Exhibit II.D will exist.

A. DUTIES AND RESPONSIBILITIES

(1) The Department will set up an imprest bank account from which the Contractor may issue claim payments by check or wire transfer. The claim amounts charged to the imprest account will occur when checks to Providers and Enrollees are presented for payment and cleared, or when wire transfers to Providers are completed.

Magellan confirms we will meet this requirement.

(2) The Plan will pay an Administrative Fee on a monthly basis thirty (30) Days after receipt of an accurate invoice. Any credit amounts due from the Contractor to the Department for failure to meet the performance guarantees set forth in the Agreement shall be applied as a credit against the Administrative Fee charged to the MHSA Program on the first invoice issued by the Contractor subsequent to the Department's written approval of the performance guarantee calculation. Alternatively, the Department may request and receive payment of any performance guarantee amount directly from the Contractor, as opposed to a credit against the Administrative Fee payable to the Contractor.

Magellan confirms we will meet this requirement.

(3) The Contractor will be billed the MHSA Program's portion of the Shared Communications Expense by the medical carrier/third party administrator in 2014 and each Plan Year thereafter in four (4) equal installments. The Contractor will pay the medical carrier/third party administrator the amount billed and may seek reimbursement from the MHSA Program. Subsequent years' amounts will be calculated by the Department and communicated to the Contractor during the annual rate renewal process. Upon receipt of each Shared Communications Expense bill, the Contractor may bill and the Plan will pay the Contractor an identical amount within thirty (30) Days.

Magellan confirms we will meet this requirement.

(4) Upon final audit determination by the Department, any audit liability amount assessed by the Department shall be paid/credited to the MHSA Programs within thirty (30) Days of the date of the Department's final determination, or within thirty (30) Days of receipt of recoveries related to fraud or abuse or Department errors.

Magellan confirms we will meet this requirement.

(5) The Contractor shall analyze and monitor claim submissions to promptly identify errors, fraud and/or abuse and report to the State such information in a timely fashion in accordance with a State approved process. The Contractor will credit the MHSA Program the amount of any overpayment made by the Contractor regardless of whether any overpayments are recovered from the Provider and/or Enrollee in instances where a claim is paid in error due to Contractor error. The Contractor shall report fraud and abuse to the appropriate authorities. In cases of overpayments resulting from errors only found to be the responsibility of the State, or due to fraud and abuse, the Contractor shall use reasonable efforts to recover any overpayments and credit 100% of any recoveries to the MHSA Program within 30 Days of receipt of such recoveries; however, the Contractor is not responsible to credit amounts that are not recovered.

Magellan confirms we will meet this requirement.

(6) Litigation recoveries and settlements shall be paid/credited to the MHSA Program within fifteen (15) Days of receipt by the Contractor.

Magellan confirms we will meet this requirement.

(7) The Contract resulting from this RFP is not subject to Article XI-A of NYS Finance Law. The Contractor agrees that MHSA Program Services provided under the Agreement shall continue in full force and effect for a minimum of at least thirty (30) days beyond the payment due dates as set forth in Article XV of the Agreement. If after the thirty-fifth (35) calendar day after receipt of an accurate invoice, as set forth in Article XV of the Agreement, the Contractor has not yet received payment from the State for said invoice, the Contractor may proceed under the Dispute Resolution provision in Appendix B and the Agreement shall remain in full force and effect until such final decision is made, unless the Parties can come to a mutual agreement, in which case, the Agreement shall also remain in full force and effect.

Magellan confirms we will meet this requirement.

B. REQUIRED SUBMISSION

1) The Offeror is required to confirm the Offeror's agreement to perform/fulfill and comply with the duties and responsibilities listed in Section V.C.a above.

Magellan confirms our agreement to perform/fulfill and comply with the duties and responsibilities listed in *Section V.C.a* above.

2) Describe, in detail, the Offeror's proposed invoicing process, if any, including the timing for invoice preparation and supporting detail claims files at the end of each payment period, required payment timeframes and whether this structure is in effect for any other self-funded customers.

Magellan offers our customers two billing options, Invoice or Self-Billing. With either option, payment is due net 30 days.

INVOICE

Billing specialists receive information including contract terms, rates and populations in document form (AIS/EF) from account management during program implementation and enter into the Solomon billing system, which Magellan uses to generate invoices. During the program, the customer notifies Magellan of enrollment adjustments that, per the contract, affect the rate. The system calculates invoices using this information and generates bills based on an agreed-upon billing cycle and timing (monthly, quarterly, bill current month or in advance, etc.). Magellan can mail or e-mail invoices to our customers.

SELF-BILLING

We do offer an option called Autopay for customers who prefer self-billing. With this option, customers may calculate their own bill (monthly member count multiplied by monthly rate) and send a payment every month without receiving an invoice. Many of Magellan's large self-funded customers opt for the auto-pay invoicing because their membership counts change every month and it is inefficient to report their membership and then wait for an invoice.

PAYMENT OPTIONS

Customers may submit payment in one of two ways:

- by check, into our lockbox, with backup included
- by wire transmission, with backup faxed or e-mailed to a designated number or person.

Magellan supplies the customer with the necessary information for a wire transfer of funds and directions on how to send a wire transfer and supporting documentation. The following outlines supporting documentation for payment:

- Name of customer, for example
- Alpha/contract code (for example, NAWI01)
- Time period covered by payment
- Population distribution
- Rate
- Extended amount.

CHECK PRINTING

Checks are generated weekly for each ASO client by the Check Print Room (frequency determined during implementation, with weekly being the minimum number of times per week). After each check run, check disbursement information is given to Fund Accounting. Fund Accounting contacts the client to notify them of the dollar amount of the check run. The client will fund Magellan for the entire amount of the check run. After funding is received from the client, Fund Accounting authorizes the Check Print Room to release the checks.

BANKING

Magellan maintains a master ASO disbursement account with Wells Fargo Bank. Each client has a separate check prefix. This allows us to monitor disbursing and clearing activity by client. As stated above, when disbursements are made, the client is notified by Fund Accounting. Our clients select one of two options for funding each check run; they either authorize Magellan to complete a "reverse" wire or ACH debit, or they wire us the funds themselves.

With a reverse wire, Magellan is allowed to initiate the wire directly from the client's account. After Fund Accounting notifies the client of the disbursement, the client will respond to Fund Accounting and authorize the reverse wire to be initiated. Fund Accounting notifies Magellan's Treasury department and the Treasury department initiates the wire.

The other option is for the client to initiate the wire. After Fund Accounting notifies the client of the disbursement, the client will respond to Fund Accounting with the date the wire will be initiated.

Magellan takes advantage of the positive pay service offered by Wells Fargo. A file is sent to the bank daily for each check cut. This gives the bank the payee name, check number, date and amount. If the check presented for clearing does not match the original positive pay file submitted, Magellan is notified. Magellan determines if the check presented should be cleared or rejected. This service removes the risk of fraudulent checks being cleared by the bank.

It is important to understand that check disbursements will not be released until Magellan has received funding from the client. The entire check run must be funded. Magellan does not accept partial payments or payments for clearings. Most ASO clients select weekly check runs to avoid funding more than once per week. Bank reconciliations are completed by the Magellan Cash department monthly for each check prefix.

CLIENT CONTROLLED BANK ACCOUNT

Some clients choose to open and maintain their own bank account for ASO arrangements. This arrangement is not prevalent, or Magellan's preferred option. Under this arrangement, checks are immediately released upon printing. The client is still sent a check register weekly (or monthly) for their information. It is the client's responsibility to maintain adequate funding in the account. Magellan must be given access to view cleared checks and place stop payments with the bank. The bank reconciliation can still be prepared by Magellan.

CLIENT DEPOSITS

Some clients choose to prefund their checks by giving Magellan a deposit. This arrangement is not prevalent, or Magellan's preferred option. Under this arrangement, checks are released immediately upon printing. The client is sent a check register weekly (or monthly, dependant on the amount of the deposit). The amount of the check registers is then remitted to Magellan. The deposit must be sufficient to cover the amount of all check runs generated between fundings. For example, if the client chooses to reimburse Magellan monthly the deposit must be equal to or greater than one month of claims. The deposit amount is agreed upon and paid before Magellan will release the first checks. If the reimbursement is not made timely, Magellan will return to the most prevalent option chosen by our clients – remit funds immediately and then checks are released.