



INQUIRIES AND AHCCCS RESPONSES POST-AWARD

The AHCCCS Administration has provided the following responses to inquiries from parties regarding the RFP and made them available on the AHCCCS Complete Care YH19-0001 Bidders' Library as they may be relevant for interested parties.

AHCCCS Communications to Awarded Contractors

All questions and inquiries by Contractors and Offerors regarding the ACC procurement, including but not limited to, scoring, the procurement process, and information related to the ACC procurement, **shall only be directed to staff in the AHCCCS Procurement Office**. No ACC procurement-related communications are permitted with other AHCCCS staff. Please contact Meggan Harley, Chief Procurement Officer, directly if you have any questions at 602-417-4538 or Meggan.Harley@azahcccs.gov. Please immediately share this message with your staff and take immediate steps to ensure compliance. Any communications that fail to comply with this notification shall be promptly communicated to the responsible Contractor or Offeror.

We understand that Contractors have many questions touching many aspects of the Contract; however AHCCCS will be focusing on critical areas of readiness over the next several months. AHCCCS has an ACC Readiness Kick-Off meeting currently scheduled for March 22nd 2018, 1pm to 4pm (Arizona time). An invite is forthcoming.

Please collect and hold any questions related to contract requirements and readiness for that Kick-Off meeting; including questions regarding:

- SFTP access
- Staffing
- IT Demo
- Readiness Tools

In addition, attached is an estimated Auto-Assignment Membership Model related to the Central GSA for CYE 19 (with enhanced auto-assignment).

(Attachment)

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	Question Submitted	AHCCCS Response
1.	<p>Based on the original RFP suggestion of 4 contractors in the central region, the belief of bidders was it allowed AHCCCS to balance risk, contrast and optimize the best of contractors, and award the membership to contractors – at scale. Given the bidding procedures, and uncoupling of administrative costs (separately scored) from total premium, the bidders were required to submit “lean” admin budgets to compete effectively for the award. Combined with a 1% limit on total yield, the only means for contractors to optimize performance under this contract is through scale (fixed/variable synergies).</p> <p>Given this approach in the RFP, could you please explain the rationale for awarding 7 contractors in the Central region including the 6th or 7th lowest scoring plans who had substantially lower scores than the top 5? Doesn’t this serve to further fragment the market and reduce the value proposition for AHCCCS and the highest scoring plans?</p>	<p>As outlined in Section H Instructions to Offerors, AHCCCS anticipated awarding <u>at least</u> four Contracts in the Central GSA. AHCCCS awarded Contracts consistent with the RFP.</p>
2.	<p>In light of the number of contractors awarded in the Central region, is AHCCCS willing to reduce membership or establish caps on membership for the lowest scoring plans – allowing the higher scoring plans to grow and support the Complete Care program at scale?</p> <p>a. Follow up to question 2 above – is AHCCCS willing to reallocate a block of membership from the lowest scoring plans (through random means) and redistribute those members to the higher scoring plans by October 1?</p>	<p>AHCCCS will assign membership consistent with the RFP Instructions to Offerors, <i>Enrollment and Member Transition After Contract Award</i>. AHCCCS does not intend to allocate membership in this manner proposed by [Health Plan Name redacted]</p>



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<p>3.</p>	<p>[Health Plan Name redacted] is committed to serving the Central & Southern regions' AHCCCS members, and is capable of receiving a contractor award of membership – at scale. We are the highest scoring bidder, with a proven track record as an AHCCCS contractor in the Southern, Pinal, Gila, and Yavapai regions. And as a provider-sponsored health plan, anchored by the largest health system in the State of Arizona, we bring the unique capability of serving the state's safety-net from both the payer and provider spectrums, and possess substantial resources to benefit AHCCCS members.</p> <p>As AHCCCS has awarded 7 contractors in the Central region, how can we position [Health Plan Name redacted] (and other top scoring plans) to bring maximum value to the AHCCCS population under the Complete Care contract award?</p>	<p>This is a determination to be made by the Contractor.</p>
<p>4.</p>	<p>Given that an award was made to 7 contractors in the Central Region, regardless of bid score or administrative pricing; will the low bidders for administrative dollars be adjusted up to the "mean" of the bid submissions to normalize administration rates in light of an unanticipated diluted scale of membership per contractor?</p>	<p>The Offeror was required to bid its Administrative rate and contemplate all factors impacting the Administrative expense at the time of bid. AHCCCS does not intend to adjust the Administrative rate in this manner proposed by [Health Plan Name redacted].</p> <p>See follow-up Question and Response in #6.</p>
<p>5.</p>	<p>The RFP outlines assignment for small contractors and speaks to a goal of achieving as close to as possible equal membership across plans within a designated region. However, the numbers outlined in correspondence received on March 7th suggests that [Health Plan Name redacted] would be expected to operate for the first full year with membership at best ramping up to just under 13K members, in a service area where the projections total shows 56K members estimated for Central auto assignment algorithm. We do</p>	<p>RFP Section H: Instructions to Offerors, states the following with respect to <u>conversion group assignment only</u>: '... AHCCCS will assign members to bring all New Contractors and Small Contractors as close to equal as possible, without reducing enrollment of any Successful Incumbent Contractor.' The Conversion Group consists of members who are enrolled with an Unsuccessful Incumbent Contractor (excluding CRS), therefore, the Conversion group assignment is not applicable in the Central GSA.</p>

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	<p>believe that the State understands the financial commitments we intend to make in Arizona and are therefore quite surprised by the very low targets for [Health Plan Name redacted] compared to the overall variation in membership across plans in the region and statewide. Could you please elaborate on the plan for membership assignment and expectations around such assignment as they relate to plan viability? Further, if there are changes to the algorithm and/or build up you are considering, it would be quite helpful to understand those details.</p>	<p>Auto-Assignment beginning October 1st, 2018 will be applied as outlined for CYE 19 Auto-Assignment. Refer to ACOM Policy 314 on the ACC RFP YH19-0001 Bidders' Library. AHCCCS has no intention of changing the CYE 19 Auto-Assignment Algorithm; however, any change to the Auto-Assignment Algorithm would be implemented through a formal revision to the Policy.</p> <p>The CYE 19 membership model that AHCCCS communicated to plans on March 7th, 2018 included various assumptions for analysis which are outlined on the assumptions tab of the attachment on the March 7th communication. The CYE 19 Auto Assignment Algorithm is calculated using the following Factors: 25% Capitation bid ranking from RFP; 50% overall bid ranking from RFP; 25% IT Demo ranking. Because the IT Demo results are not available, AHCCCS adjusted the formula for purposes of estimating membership. This assumption in the CYE 19 membership modeling is noted with the following statement: 'IT Demo ranking equals the ranking from the RFP readiness score; this will not be completed until Spring thus this calculation uses the summer AAA for conversion which is 25% Capitation bid ranking from RFP; 75% overall bid ranking from RFP'.</p> <p>The Contractor is responsible for evaluating financial viability.</p>
<p>6.</p>	<p>Would AHCCCS consider normalizing the admin bids for all contractors (perhaps setting a mean admin. rate PMPM) so that the lowest and best scoring bidders would not be disadvantaged at diluted membership levels.</p>	<p>As noted in the Non-Benefit Costs Bid Requirements amended 11/30/17 in the Bidders' Library, Data Supplement for Offerors, Section F, Rate Development Information, AHCCCS will adjust administrative bids after award. This adjustment will be based on projected membership. That language states, in part:</p> <p><i>AHCCCS will adjust administrative bids after award and when preliminary membership has been determined through initial</i></p>

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assignment and member choice, by taking the reported Fixed percentage of Admin PMPM times the total bid Admin PMPM times the initial membership to get the fixed dollars. These fixed dollars will then be divided by preliminary projected membership to get a revised Fixed PMPM. The Variable PMPM (calculated by taking % of Admin PMPM that is Variable times the total bid Admin PMPM) will be added to this revised Fixed PMPM to get the total admin PMPM. See example below.

	Example Bid	Example 1 – AHCCCS Adjustment	Example 2– AHCCCS Adjustment
MMs	1,000,000	900,000	1,100,000
Bid PMPM	\$ 25.00		
Fixed %	40.00%		
Variable %	60.00%		
Fixed PMPM	\$ 10.00	\$ 11.11	\$ 9.09
Variable PMPM	\$ 15.00	\$ 15.00	\$ 15.00
Total Admin PMPM	\$ 25.00	\$ 26.11	\$ 24.09

The adjusted administrative PMPM will then be distributed to the risk group level by AHCCCS. AHCCCS reserves the right to review the Fixed and Variable percentages for reasonableness prior to implementation. In addition, AHCCCS may adjust the non-benefit cost components of the capitation rates in future years in order to maintain compliance with the Medicaid Managed Care Rules and Rate Setting Guidelines.

The Contractor can compute the adjusted administrative PMPM using the information above and the bid administrative PMPM in the award



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		<p>letter. The membership modeling provided by AHCCCS on March 7, 2018 for the Central GSA can be utilized for this computation. The Contractor should be able to reasonably approximate membership in the other GSAs based on the provisions outlined in the RFP.</p> <p>Please note, as stated in the attachment to the award letter, AHCCCS shall determine a ceiling for administrative expense based on a percent of medical expense. If membership assignment results in an administrative expense that would exceed the ceiling determined by AHCCCS, the administrative PMPM will be capped in order to ensure compliance with federal regulations.</p> <p>If the Contractor has questions regarding its analysis submit those questions, along with supporting documentation including formulas and assumptions, to ICRFPYH19_Questions@azahcccs.gov.</p>
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