

May 31, 2012

The Procurement Negotiating Committee (PNC) for Bid Event ID Number EVT0001028
Mr. Paul Endacott, KDHE-DHCF Designee
Mr. Brad Ridley, Secretary of Administration Designee
Ms. Tami Sherley, Procurements and Contracts Designee

Dear PNC Members,

Recommendation: The Evaluation Committee recommends that a Contract be awarded to Amerigroup of Kansas (Amerigroup), Sunflower State Health Plan (Sunflower), and United Healthcare Community Plan of Kansas (United) to provide and implement the KanCare program, a capitated Medicaid managed care system, for the State, in accordance with the provisions of Bid Event ID Number EVT0001028.

As a result of the review and evaluation of the proposals received, two face to face negotiation sessions with each of the five Proposers, responses to follow-up questions from the State, and the review of Revised Offers, the Evaluation Committee has determined that the responses submitted by the three Proposers listed above best meet the State's needs for the KanCare program.

The recommendation is based on a comparison of costs, the Proposers' implementation readiness, operational capacity, demonstrated ability to meet the quality standards required, stated commitment to the Pay for Performance program, innovative approaches to meeting request for proposal requirements, staffing dedicated to the project, value-added services offered, member engagement and support, partnering with the State, approach to provider support and payment, and overall quality, experience with providing services with similar scope in other states, and capacity.

After the Evaluation Committee's thorough evaluation of the final cost proposals, technical proposals and all follow-up information, the Evaluation Committee found that the three selected Proposers exhibited the ability and commitment to best provide the requested services at the lowest cost to the State.

Background: Of the original five proposals received from Amerigroup, Coventry Health Care of Kansas (Coventry), Sunflower State Health Plan (Sunflower), United, and WellCare of Kansas (WellCare), it was determined that all five proposals warranted further considerations and the five Proposers were invited to face to face negotiations. During this first round of negotiations, Proposers presented a website demonstration, and answered questions submitted to them by the State in the following areas: Coordination of Care, Provider Network, Quality and Outcomes, Pharmacy, Cost Proposal and Financial, Claims Processing and Data, and Customer Service and Contract Compliance. These sessions were carefully planned and controlled by the Evaluation Committee to provide each Proposer an equal opportunity to showcase its approach and experience, and ensure a fair and unbiased evaluation. Questions and observations from the Evaluation Committee concerning each Proposer's presentations were carefully noted during daily sessions, and Proposers were given an opportunity to respond to the State's written follow-up questions in writing, following the negotiation sessions.

Upon receipt and evaluation of the written follow-up questions and revised offers from each of the Proposers, the State determined that an additional round of face to face negotiations was necessary to fully understand and evaluate each of the Proposers' approaches, particularly given the delay of long term services and supports for the developmentally disabled waiver population that was included via a Legislative budget proviso. Each of the five Proposers was invited to a second round of face to face negotiations, and discussed the following items with members of the Evaluation Committee: Pay for Performance Program, Long Term Care, Operations, Provider

Robert Moser, MD, Secretary

Sam Brownback, Governor

Concerns, Developmental Disabilities Proviso, Contract Requirements, Cost, and other follow-up items particular to each Proposer. The details of the procurement process up to the point of Final Face to Face Negotiations are described more fully in the following letters:

- Letter from Kari Bruffett, Director of KDHE-DHCF to Mr. Chris Howe, Director of Procurements and Contracts, dated March 14, 2012, describing the review of the Technical Proposals and requesting the Cost Proposals for evaluation.
- Letter from Kari Bruffett, Director of KDHE-DHCF to Mr. Chris Howe, Director of Procurements and Contracts, dated March 27, 2012, describing the review of the Cost Proposals, and requesting initial face to face negotiation sessions with the Proposers.
- Letter from Kari Bruffett, Director of KDHE-DHCF to Mr. Chris Howe, Director of Procurements and Contracts, dated April 27, 2012, describing the information gained from negotiations and requesting a final round of negotiations with each of the Proposers.

Revised Offers: The Evaluation Committee then submitted final follow-up questions to the Proposers and requested final Revised Offers from each of the five Proposers. All responses were thoroughly reviewed, and observations, comments, and concerns were discussed and carefully noted following receipt of the materials from Proposers. The three selected Proposers were chosen following a careful consideration of the Revised Offers and the responses to the State's final follow-up questions.

Summary of Proposers:

Below is a summary of the key strengths and weaknesses of all five KanCare Proposers, including the three selected Proposers and the Proposers not selected. The summary below also notes previous weaknesses of each Proposer identified by the State. These weaknesses were identified earlier in the evaluation process, but were addressed by the respective Proposer through face to face negotiations or in responses to written follow-up questions from the State.

Selected Proposers:

The three selected Proposers, which were also the three lowest-cost proposers, met all technical requirements and the expectations of the State.

Amerigroup

This Proposer provided a very detailed and thorough response to nearly all request for proposal (RFP) requirements. The Proposer demonstrated significant experience in serving similar populations in other states and the ability to succeed in providing all KanCare services to the Kansas Medicaid population. The Proposer's proposal and the information provided during negotiations demonstrated a clear ability to meet all RFP requirements as specified.

Strengths:

- The proposal describes substantial experience in other states working with long term care, CHIP and substance use disorder populations and services.
- Amerigroup reports it has never missed an implementation deadline.
- The Proposer agrees to the State's proposal for retrospective payment and provided a reasonable adjustment to their discount. The Proposer also agreed to all simple assurances (document outlining select key principles of KanCare).
- Amerigroup's approach to care coordination includes intensive care support for members with high medical needs, especially targeting seniors and the physically disabled. The proposal's plan for transitioning members to its health plan ensures minimal disruptions of care to KanCare populations.
- The proposed health homes model shows excellent understanding of the Kansas preferred model and incorporates alternative service providers as health homes leaders.

Robert Moser, MD, Secretary

Sam Brownback, Governor

- Amerigroup submitted an outstanding approach to their member advisory committee structure.
- Amerigroup has a strong provider quality incentive program that includes shared savings and has been operational for two years in other states. This plan has mechanisms to encourage providers to participate in the program.
- Amerigroup was the only Proposer to provide specific examples of how they sample claims to ensure accurate data is sent to the State.
- Overall, the proposal describes appropriate reconciliation and balancing processes.
- The proposal includes an extensive array of value-added services.
- The Proposer demonstrates knowledge and experience with the aged and disabled populations.
- Amerigroup details their efforts to contact long term services and supports providers in Kansas and demonstrates understanding of the current delivery system, including the role of the Community Developmental Disability Organizations (CDDOs).
- The response expresses willingness and the ability to work with the State in meeting the requirements of the Pay for Performance (P4P) program.
- Amerigroup describes in detail how they would assist the State by using payment withholds to collect State debt from providers.
- The proposal's plan for health literacy promotion is well rounded and includes member education, targeted outreach, care management, and disease management components.
- The Proposal includes a detailed plan and workable strategies for increasing cultural competence among providers and staff.
- Amerigroup will use data from State immunization registries to supplement their vaccination information and increase Early and Periodic Screening, Diagnosis, and Treatment (EPSDT) program compliance rates.
- The plan for quality management includes a hands-on approach. Care managers will be deployed in the field with tools to collect and enter information from any environment.
- Amerigroup proposes a strong plan for using nurse practitioners more extensively in nursing facilities. This represents a strong approach to meeting RFP requirement 2.2.8.16 regarding physician extenders.
- The proposal addresses the State's goals for nursing facility diversification and demonstrates Amerigroup's commitment to partner with the State on this initiative.

Weaknesses Previously Noted but Subsequently Resolved:

- The original Amerigroup proposal did not acknowledge or describe their process for handling provider grievances.
- The proposal initially had few details on how to monitor quality of care for disabled populations.
- The original proposal's quality management section did not demonstrate a full understanding of home and community based waiver programs.
- The original proposal did not provide evidence of network development for dental, vision, obstetrics and mental health providers.
- Amerigroup proposed replacing the life expectancy P4P measure, rather than modify or clarifying to address concerns. They also indicated concern with some subparts of the P4P National Outcome Measures.
- The original proposal did not clearly address Amerigroup's history with processing clean claims.

Remaining Weaknesses:

- The proposed automatic prior authorization system will not be fully operational for medical prior authorizations until the beginning of the KanCare program. The Proposer will not have a long period of time for testing this system.
- Amerigroup does not have experience in other states providing the extensive scope of services required under the RFP to the medically needy population on a spenddown.



Landon State Office Building
900 SW Jackson Street, Room 900-N
Topeka, KS 66612

Department of Health
and Environment
Division of Health Care Finance

Phone: 785-296-3981
Fax: 785-296-4813
www.kdheks.gov/hcf/

Robert Moser, MD, Secretary

Sam Brownback, Governor

Sunflower

This Proposer provided a detailed response describing their experience providing services of similar scope in other states' programs. The additional information provided by Sunflower during negotiations addressed the previous concerns the State expressed.

Strengths:

- Sunflower commits to the P4P program and expressed a desire to work with the State to measure and meet aggressive performance targets.
- The proposal discusses hiring people with disabilities to promote cultural competency.
- Sunflower describes a solid approach to serving hard to reach populations, including pre-programmed cell phones, hiring diverse staff, and adding minority members to their advisory committees.
- Sunflower includes a commitment to hiring a full time EPSDT coordinator to increase compliance.
- Sunflower's value-added services demonstrate a good understanding of the Kansas populations to be served under this RFP. Specific services include practice visits to women's health or dentist appointments for the developmentally disabled population and pet therapy for long term care beneficiaries.
- The proposal includes a very well defined plan for Health Information Technology (HIT) and Health Information Exchange (HIE).
- Sunflower proposes developing a separate member advisory council for members with developmental disabilities or long term care needs. All of their member advisory councils have a detailed reporting structure to allow their input to be considered by Sunflower's Quality Improvement Committee.
- The Proposer describes a strong approach to coordinating care for nursing facility residents, and is currently working with the Kansas Health Care Association to develop performance based outcomes in this area.
- Sunflower would utilize its "CentAccount" program, which provides incentives through the use of a debit card to promote healthy behavior and member engagement.
- The Proposer has strong claim processing systems and auditing systems in place and is well-versed in industry standards.
- The Proposer demonstrates a strong commitment to customer service and describes several innovative approaches in this area.
- Sunflower provides a strong response for utilizing telemedicine.
- The Proposer brings a well-developed information technology (IT) system which could identify and promote efficiencies in the KanCare program.
- Sunflower proposes a strong approach to automating prior authorizations; however, this will need to be expanded for the Kansas pharmacy program.
- The proposal demonstrates experience with dual eligible members in other states.
- Sunflower offers the strongest approach to pharmacy reimbursement of all five Proposers. For example, Sunflower states that when a provider files a grievance based on the products costs, prices are adjusted 76 percent of the time.
- The Proposer's plan for reviewing psychotropic medications may allow for some care management practices to be integrated in an area where the State previously had few options available.
- The proposal indicates Sunflower will audit their transportation subcontractor prior to beginning services.

Weaknesses Previously Noted but Subsequently Resolved:

- The original proposal did not demonstrate a strong understanding of mental health and substance use disorder services and populations.
- The proposal originally stated that Sunflower would limit the members' ability to change their primary care provider to once every six months.
- The original proposal did not demonstrate understanding of RFP requirements for the pharmacy program.

Robert Moser, MD, Secretary

Sam Brownback, Governor

- The original proposal's response did not meet all RFP requirements for grievances and appeals.
- Sunflower proposed to exclusively utilize a co-location model to treat co-occurring mental health and substance use disorder diagnoses, which may not have fit this population's needs.
- The Proposer initially said it relied on the National Committee for Quality Assurance (NCQA) Patient-Centered Medical Home approach to health homes, which is not as inclusive as the health home model required by the RFP.
- Sunflower's proposal at first stated that they had not yet developed a program integrity program.
- Sunflower's initial plan for their member advisory council did not include a standing membership, and would randomly select members for participation.
- The original proposal did not demonstrate a strong understanding of mental health and substance use disorder (SUD) services and populations.
- Sunflower did not initially demonstrate understanding of the community service provider system for the developmentally disabled (DD) and population.
- The Proposer initially demonstrated little in-depth experience with some specific populations included in KanCare.
- There were initially conditional agreements in their proposal which placed stipulations on their agreement to meet RFP requirements.
- The initial proposal did not demonstrate Sunflower's ability to meet P4P program requirements.
- Sunflower expressed initial concerns with meeting some of the operational P4P measures, including the 20-day payment timeframe for clean claims.
- The proposal lacked an acceptable strategy for addressing SUD confidentiality concerns. The proposed approach was to suppress and exclude Substance Use Disorder (SUD) data rather than incorporate it in a protected way.
- The proposal did not initially demonstrate understanding of Health Insurance Portability and Accountability Act (HIPAA) compliance standards for claims.

Remaining Weaknesses:

- Sunflower does not demonstrate strong understanding of the community service provider system for the SUD populations.
- This Proposer's plan includes fewer field-based care managers compared to other Proposers.
- Sunflower does not have experience in other states providing the extensive scope of services required under the RFP to the medically needy population on a spenddown.

United

The response provided by United is extensive and thorough. The proposer describes strong strategies for meeting the RFP requirements in a number of important areas. Overall, United's proposal demonstrates their ability to become a strong partner for the State and effectively implement and administer the KanCare program.

Strengths:

- The Proposer unequivocally commits to all P4P measures, methodology and benchmarks.
- United demonstrates a strong overall understanding of the goals of KanCare.
- United has the most experience of all five proposers in long term care. They also have demonstrated experience with serving dually eligible members in other states.
- Overall, United offers a very strong plan for oversight of their subcontractors.
- United is using a wholly-owned pharmacy benefits manager, which will simplify administrative burdens for providers.
- United's proposal demonstrates their ability to become a strong partner for the State of Kansas.
- The proposal offers an excellent approach to implementing health homes.

Robert Moser, MD, Secretary

Sam Brownback, Governor

- The proposal describes how United will work with Empower Kansas to help people with disabilities obtain employment.
- The Proposer describes a strong plan for monitoring provider performance. All providers receive information on their profile, gaps in care for their patients, and how they compare to similar providers. United also shares best practices from high-performing providers with others in their peer group.
- United proposes a strong approach to utilizing physician extenders.
- The critical access hospital reimbursement proposal demonstrates United understands the Kansas program.
- The proposal includes several incentives for telehealth, telemedicine and telepsychiatry.
- The proposed plan for health literacy is robust and includes several innovative strategies.
- United offers an excellent array of value-added services, including the addition of an adult preventive dental benefit.
- The approach to member advocates is a major strength.
- United appears very experienced in coordinating care from a non-medical perspective. United is the only Proposer that includes Screening, Brief Intervention, and Referral to Treatment (SBIRT), to identify substance use disorder issues in a physical health setting.
- The proposal demonstrates excellent understanding of the Medicaid payment structure and a solid approach to timely claims payment. United's experience in clean claims processing is strong.
- The Proposer has a strong financial position with sufficient available capital.
- United commits to hiring Kansans for their local staff and will have a user-friendly website available to providers and members.
- The Proposer has well-developed expertise in the behavioral health and Home and Community Based Services (HCBS) areas.
- United's program systems have a good deal of automation that will lead to efficiencies.

Weaknesses Previously Noted but Subsequently Resolved:

- The Proposer initially did not provide adequate evidence that they would ensure conflict free case management.
- At the time of the proposal submission, United had made little progress in contracting with HCBS and SUD providers, or Community Mental Health Centers.
- The quality management section of the proposal did not include a sufficient discussion of Kansas-specific quality measurements, particularly for non-physical health metrics. This section also did not give sufficient attention to supporting providers that are small or non-traditional.
- United initially did not propose a discrete member advisory committee, but rather a larger stakeholder advisory committee that was not devoted exclusively to members.
- The Proposer did not originally offer specific assistance for collecting member cost share.

Remaining Weaknesses:

- United's medication therapy management program lacks a patient-centered approach.
- The Proposer does not have experience in other states providing the extensive scope of services required under the RFP to the medically needy population on a spenddown.

Proposers Not Selected:

The Proposers below were unable to address several significant concerns of the Evaluation Committee and were the higher cost Proposers. As a result, the following Proposers were not selected for the KanCare Program.

Coventry

The Coventry Proposal failed to meet key RFP requirements. Of specific concern is the Proposer's refusal to commit to the P4P program as stipulated in the RFP or the fee-for-service payment floor for all providers. The Proposer also

Robert Moser, MD, Secretary

Sam Brownback, Governor

withdrew all previously offered value-added services and was not open to standardization of key processes. Although this Proposal demonstrates some specific strengths, many weaknesses remain.

Strengths:

- Coventry plans to use an established subcontractor (ValueOptions) for behavioral health.
- The Proposer has a strong provider network in place for physical health in certain regions of the state.
- The proposal for provision of EPSDT includes establishing a dental home for children and enhanced personal assistance for any child with an abnormal finding during the screening.
- The proposal includes a strong approach for conducting health risk assessments for behavioral health members, including the use of a best-practice screening tool for substance abuse.
- The Proposer's care management principles include member engagement, multi-disciplinary coordination with care across all traditional and non-traditional providers, and the use of co-located behavioral and physical health care.
- Coventry includes a comprehensive training and development plan for their customer service staff.
- Coventry offers to adapt one of their current commercial products to serve as a Medicaid off-ramp program.
- The Proposer's foundation will provide grants for health home development for up to a cumulative total of \$500,000.

Weaknesses Previously Noted but Subsequently Resolved:

- The initial proposal generally relied on Coventry's extensive provider network for the existing HealthWave contract to demonstrate sufficient access, but did not detail how additional geographic areas and service providers will be brought in to their network.
- Coventry provided little detail to demonstrate their plan or ability to meet the RFP requirements for HIT and HIE. The proposal did not discuss how the proposer would assist in collection of data related to demonstrating meaningful use of Electronic Health Records (EHR).
- The original proposal did not demonstrate an understanding of federal transportation regulations.
- The original proposal did not demonstrate an understanding that long term care is more comprehensive than nursing facilities.
- Coventry's proposed approach to health homes initially focused heavily on primary care providers as the health home leader, omitting other community based service providers.
- The proposal did not demonstrate an understanding of critical access hospital reimbursement.
- Coventry originally did not accept the State's proposal for delaying capitation payments.
- Coventry originally did not provide a strong plan for medication therapy management.
- The Proposer offered no assistance for collecting member cost share or State debt from providers in their original response to this issue.

Remaining Weaknesses:

- Coventry does not explicitly agree to the fee-for-service payment floor for all providers.
- The Proposer does not commit to meeting P4P program requirements without significant adjustments to the program's benchmarks and methodology.
- The Proposer removed all previously offered value-added services from the proposal. Coventry is the only Proposer not offering any value-added services.
- During negotiations, Coventry brought a list of contract terms they requested be added to the final contract with the State. This list included significant items of concern, including granting Coventry the ability to exit the contract after the first year if they were not granted the ability to renegotiate rates.
- The proposal does not demonstrate understanding of the need to build a knowledge base and capacity for new populations and services.

Robert Moser, MD, Secretary

Sam Brownback, Governor

- Coventry is unwilling to agree to work with the State and other selected managed care organizations to standardize certain programs and processes in areas recommended by the State.
- In many cases, Coventry does not explicitly acknowledge their accountability for subcontractors. The Evaluation Committee has concerns regarding how the State will be notified of subcontractor issues in a timely and transparent fashion.
- The Proposer is the only organization that proposes using a subcontractor to manage all HCBS services.
- The Proposer does not demonstrate full understanding of the conflict-free case management requirement.
- Coventry does not unconditionally agree to the State's assurances regarding clean claims payment, member retention of their current case manager, or the requirement to contract with all current Medicaid providers.
- The Proposer does not commit to paying existing pharmacy providers the required State dispensing fee, and Coventry proposes to utilize their existing national pharmacy contracts even if they do not meet RFP payment requirements.
- Coventry does not have experience in other states providing the extensive scope of services required under the RFP to the medically needy population on a spenddown.
- Coventry does not provide a strong plan for medication therapy management.
- The proposed prior authorization system is not automated.
- The Proposer demonstrates the least experience in long-term care of all Proposers.
- Coventry does not demonstrate a clear understanding of the State's electronic visit verification (EVV) system.

WellCare

The WellCare original proposal improved based on follow-up information and direction from the State. However, the Proposer does not demonstrate a full capability to meet all of the requirements of the KanCare program without assistance from the State.

Strengths:

- The Proposer demonstrates an understanding and ability to meet the needs of the HCBS waiver populations.
- WellCare has clear experience and practical solutions they will bring to bear to this engagement. They also detail the additional supports they will wrap around smaller and inexperienced providers.
- The updated proposal for WellCare's member advisory committee structure is strong.
- WellCare's overall perspective and approach to member services is strong, and includes such components as Regional Member Engagement Centers, a community partnership program, and overstaffing their call center during implementation to ensure strong customer service.
- WellCare plans to become a Medicare Advantage Plan.
- The Proposer will offer evergreen (non-expiring) contracts to nursing facilities, HCBS, and home health providers.
- The Proposer notes that they will contract with any willing provider that meets credentialing requirements and will accept Medicaid rates.
- The proposal includes a description of how they plan to divert nursing home level of care patients to lower cost levels of care upon discharge from the hospital, and address the Promoting Excellent Alternatives in Kansas (PEAK) nursing facility program.
- The proposal includes a solid approach to staffing.
- WellCare agrees to the State's performance measures, but intends to work with the State to ensure data is available.
- Overall, the Proposer demonstrates that they have learned from their mistakes in other states.
- The Proposer's claims and encounter data processing systems are strong.
- The updated plan for medication therapy management is strong, but required a lot of detailed instruction from the State.

Weaknesses Previously Noted but Subsequently Resolved:

- The original proposal did not fully address pharmacy program requirements.
- The original proposal focused on assisted living services, but did not take into account any other services needs of the elderly population.
- WellCare initially did not demonstrate adequate progress in the proposal toward meeting the provider network standards.
- WellCare's response for HIE was brief, and did not detail how they would participate in or encourage their providers to participate in statewide HIE.
- The Proposer did not initially include sufficient discussion of Kansas specific quality measures.
- WellCare initially did not describe their approach to using member advocates to help members address grievances and appeals.
- More detail was needed in addition to the original proposal to ensure WellCare will work with existing case managers and other professionals.
- The original response to health homes was insufficient overall, and would have used Patient-Centered Medical Homes, rather than the more comprehensive health homes required by the RFP.
- WellCare initially did not submit a member advisory committee plan.
- The utilization management plan as originally described did not appear member or provider friendly.
- The proposal lacked details in the Innovative Ideas section of the RFP.
- Overall, the Proposer was disorganized. This included their proposal and performance during the first round of face to face negotiations.
- WellCare's initial response for HIE was brief, and did not detail how they will participate in or encourage their providers to participate in statewide HIE.
- The original proposal did not demonstrate the ability to meet RFP requirements for preventing and reporting consumer fraud and abuse.
- WellCare initially did not demonstrate how they have successfully managed their proposed transportation subcontractor in other states.
- The Proposal originally offered little assistance to the State for member cost share collection.

Remaining Weaknesses:

- As a result of recent federal litigation, WellCare informed the Evaluation Committee of significant turnover, including the loss of 50 key staff members. Loss of experienced staff leads to concerns by the State regarding the company's ability to effectively and timely implement KanCare. The State remains concerned about the capacity of WellCare at this time to implement this comprehensive and complex program.
- Overall, the proposal lacks operational detail in many significant areas.
- The Proposer relies very heavily on subcontractors to meet RFP requirements.
- The Proposer has limited experience with long term care.
- WellCare's automatic prior authorization system is not yet developed, and may not be ready for implementation by January 1, 2013.
- WellCare does not have experience in other states providing the extensive scope of services required under the RFP to the medically needy population on a spenddown.
- The Proposer does not demonstrate a full understanding of the required pharmacy reimbursement under KanCare. The Proposer is also reluctant to provide transparent drug pricing for generics.

Landon State Office Building
900 SW Jackson Street, Room 900-N
Topeka, KS 66612



Phone: 785-296-3981
Fax: 785-296-4813
www.kdheks.gov/hcf/

Robert Moser, MD, Secretary

Sam Brownback, Governor

Summary and Award Recommendation:

Based on the results documented above, the Evaluation Committee recommends Amerigroup of Kansas, Sunflower State Health Plan and United Healthcare Community Plan of Kansas as the Proposers best suited to meet KanCare requirements.

The signatories below concur with the recommendation of the Evaluation Committee.

Sincerely,

Kari Bruffett, Director
Kansas Department of Health and Environment
Division of Health Care Finance

May 31, 2012
Date

Attachments