COMMONWEALTH of VIRGINIA

DEPARTMENT OF MEDICAL ASSISTANCE SERVICES
600 East Broad Street, Suite 1300
Richmond, VA 23219

September 9, 2005

ADDENDUM No. 1 TO VENDORS:

Reference Request for Proposal:	**RFP 2006-01**
Dated:	**August 22, 2005**
Due:	**September 16, 2005**

NOTICE: Remove current § 10.7 and replace with the following:

> **10.7 Cancellation of Contract**
> The Department reserves the right to cancel and terminate any resulting contract, in part or in whole, without penalty, upon 30 days written notice to the Contractor. Any contract cancellation notice shall not relieve the Contractor of the obligation to deliver and/or perform on all outstanding services issued prior to the effective date of cancellation.

Attached is the Department of Medical Assistance Services response to questions/inquiries as submitted by potential offerors before the September 2, 2005 2:00 pm E.S.T. deadline.

Note: A signed acknowledgment of this addendum must be received by this office either prior to the due date and hour required or attached to your proposal response. Signature on this addendum does not substitute for your signature on the original proposal document. The original proposal document must be signed.

Sincerely,

Christopher M. Banaszak

Christopher M. Banaszak
Contract Officer

Name of Firm: _____

Signature and Title: _____

Date: _____

Addendum: DMAS Response to Bidders

#	RFP Ref.	Question	DMAS Response
1.	Section 1	Does "qualified Certified Public Accounting firms" mean licensed to practice public accounting in Virginia? Does it require a current unqualified peer review report?	A qualified Certified Public Accounting firm if currently practicing in Virginia must be licensed with the Virginia Board of Accountancy. If not currently practicing in Virginia, the firm would have to be currently licensed in its home state and would have to agree to become licensed with the Virginia Board of Accountancy if it were to become the contract firm for the DMAS under this RFP. In order to be licensed to practice in Virginia the contracting firm would have to meet the peer review requirements of the Virginia Board of Accountancy (see the Virginia Administrative Code at section 18 VAC 5-21-70)
2.	Section 3.1	Do participating providers need to receive a hard copy of the cost report forms or can they receive electronic versions, if available? Can providers be directed to the DMAS website to obtain cost reporting forms?	The contractor must notify each provider after the end date of its scheduled cost reporting period of the DMAS requirements for filing a cost report. The contracting firm may refer the providers to the DMAS website to obtain cost reporting forms that are available on the website. But, if the provider requests a hard copy of the cost reporting forms, the contractor must mail the hard copy to the requesting provider.
3.	Section 3.5	Can the office be anywhere in Virginia or does it have to be in or near Richmond?	Though not required by the RFP to maintain an office in Richmond, for all practical purposes an administrative office would need to be located in or near Richmond. Preference will be given to firms that either have an office in Richmond or agree to locate an office in the Richmond area
4.	Section 3.6.J	Does the Time Summary of the total hours expended on each step or procedure apply to just Field Audits or to both Field and Desk Audits?	The Time Summary referenced in this section is applicable to Field Audits only. Though a time summary is not required for Desk Audits, the contractor must be able to document and support all hours billed to DMAS for contract services.

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5.	Section 7.2 Capacity Summary	To what level and in which areas of requested services must "critical personnel" be identified? Must the "critical personnel" be identified by name and availability date?	The offeror should identify the key personnel who the offeror would plan to oversee and staff the contract services under this proposal. The offeror at a minimum should identify by name and availability to this contract the partner / principal who will oversee the contract, the project manager if different from the partner / principal, and the senior managers who will staff the operation.
6.	Section 7.2 Contractor's Qualifications	Are the qualifications to be just that of the proposing firm or are they also to be of the individuals who will be performing the Virginia contract requirements?	This sections refers to the qualifications of the firm overall as evidenced by its experience in performing work of a nature similar to that being requested in this RFP. Additionally it would be desireable for the offeror to include a brief professional resume on each critical person identified in response to the Capacity Summary (see above).
7.	Section 7.3	May we submit the electronic versions of our proposal in PDF format?	No, the RFP specifically requests that the electronic version of the proposal be in MS Word format.
8.	Section 7.6.1.a	Should the offeror, including related entities, only "identify any contracts or agreements they have with any state or local government entity that is a Medicaid and/or Title XXI State Child Health Insurance Program provider" or should they also identify any contracts, agreements, or services they provide to any provider, and related provider entities, that participate in the Virginia Medicaid and/or Title XXI State Child Health Insurance Program?	This section of the RFP is specific in language as to the information requested. The information relative to contracts, agreements or services that a contractor currently performs for or has an agreement to perform for any provider and related provider entities that participate in the Virginia Medicaid and/or Title XXI State Child Health Insurance Program should be disclosed in response to subsection "b" of this section which references to any conflicts of interest that might exist under the proposed contract contemplated by this RFP. (see below)

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9.	Section 7.6.1.b	Must the Offeror also present sufficient assurances that the offeror, and related entities, have no conflicts of interest with any Virginia Medicaid and/or Title XXI State Child Health Insurance Program providers?	Yes, the offeror must assure DMAS that the award of the contract would not create a conflict of interest between the Department, the contractor and/or any subcontractors. Thus the offeror should disclose any relationships that it or any related entities have with any providers participating in the Virginia Medicaid or Title XXI State Child Health Insurance Programs. Such relationships would need to be evaluated to satisfy the Department that there is no conflict of interest.
10.	Section 8.1 Closing Date	Closing Date – Should the reference be to Section 7.9 rather than 7.10?	Yes, the reference in Section 8.1 Closing Date should be to Section 7.9 and not 7.10.
11.	Section 8.2.3	This section asks for conflicts identified in Section 7.7. Should this reference be to the conflicts identified in Section 7.6 and should it also include any conflicts that exist at the parent, division of parent or subsidiary level or other related entities as described in Section 10.21?	Yes, Section 8.2.3 should refer to Section 7.6 of the RFP in relation to conflicts of interest. As noted in the response to question 9 above, the offeror should disclose any relationships that any related entity, parent or otherwise , which might be considered a conflict of interest. Section 10.21 refers to a parent organization agreeing as a part of this proposal to pledge the resources of the parent organization to meet the responsibilities of its subsidiary under this proposed contract.
12.	Section 8.3	Should the reference be to Section 7.10 rather than 7.11?	Yes, the reference in Section 8.3 should be to Section 7.10
13.		Page 32, Sections 10.7 and 10.7.1 – Please clarify the difference between the 90 days notice in Section 10.7 and the 30 days notice in Section 10.7.1.	This was a grammatical error. Change as addressed on front cover page corrects the discrepancy.

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14.		Page 35, Section 10.9. How many performance bonds will be required? Can the contractor "pass through" the cost of these bonds or must it be built into the hourly rates?	Section 10.9 references only (1) performance bond in the sum amount of four months of the estimated cost of the contract. The cost for said bond must be built into the hourly rates.
15.	Section 10.21	If an offeror is a subsidiary or division of a parent organization, does the offeror only need to include in the proposal a signed statement by the chief executive officer of the parent organization pledging the full resources of the parent organization to meet the responsibilities of the subsidiary organization under the contract to DMAS, or should the proposal also identify any relationships, contracts, agreements with or services provided by the parent organization, and related entities, to any provider, or related provider entities, that participate in the Virginia Medicaid and/or Title XXI State Child Health Insurance Program?	Where there is a parent organization of the offeror, the proposal must include a statement signed by an officer of the parent organization, who is authorized to enter into such contracts or agreements on behalf of that parent organization, pledging the full resources of the parent organization to meet the responsibilities of the subsidiary offeror under the proposed contract. This section, 10.21, does not address potential conflicts of interest of the offeror or its parent organization. Conflicts of interest of the offeror or any related party, which of course would include the parent organization, should be disclosed in conformity to Section 7.6. (see questions 9 and 11 above)
16.	Section 3.2.B	RFP Section 3.2 B indicates that bidders should anticipate 100-120 field audits per year. Please provide a breakdown of this estimate by provider type (nursing facility, hospital, FQHC, etc.).	There were 116 field audits performed in the contact year for 2004. The breakdown of those audits is as follows: Nursing Facilities 101 Home Offices of NFs 10 Outpatient Rehab 3 Hospital 1 ICF/MR 1
17.	Sectoion 3.2	Please explain why the number of revised settlements for nursing facilities and hospitals	The large number of revised cost reports for nursing homes and hospitals is explained below.

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		exceed the number of initial settlements as described in RFP Section 3.2, page 10. What program features contribute to a larger number of revised settlements than initial settlements for nursing facility CMS 2540 and hospital CMS 2552 with DRG 796?	Nursing Homes - Due to the prospective nature of our reimbursement system, revisions to costs in one year require the second year to be revised to carryforward the prospective rate to settle that second year cost report. Hospitals – DMAS primarily relies on Medicare findings to determine adjustments DMAS needs to make to the Hospital Medicaid cost report. The primary Medicare intermediary in Virginia has not supplied such findings to DMAS for several months due to a change in their policy. We anticipate receiving prior and current Medicare findings in the coming year and there will be a catch up period of hospital cost report revisions that can be anticipated by the contractor in the upcoming contract year.
18.	Section 3.2.B.2	RFP Section 3.2 B.2 states that field audits require approximately 220 hours. Is the number of hours based solely on Virginia Medicaid experience or have you compared this number with other Medicaid programs throughout the country? If the number is based solely on Virginia experience, what factors unique to Virginia make the number of audit hours so much higher than other states?	The 220 hours to complete a field audit is based on Virginia Medicaid experience. We have not compared this number with other states' Medicaid programs. Though other states may have different requirements, we have found that to complete what we consider to be an adequate audit, on average, the 220 hours are needed to properly plan the audit, perform the needed audit procedures and have manager / supervisory review of the audit results. Most audits are limited in scope to specific reimbursement issues and thus each audit is unique.
19.	Section 8.4	Given the current procurement approach described in RFP Section 8.4 where the Commonwealth first negotiates with the first-ranked offeror, it would appear that the incumbent has a disproportionate advantage. Why did this approach change from the last procurement (RFP 2000-01) for these services	This RFP was determined to be a "professional services" procurement by DMAS counsel who reviewed the RFP. The processes of procurement as referenced in this RFP are those called for by the Virginia Public Procurement Act, Agency Procurement and Surplus Property Manual and Vendors Manual for a professional services procurement.

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		when detailed staffing plans linked to cost proposals were included in the bidding process? Is our understanding correct that this procurement cycle could be completed and the Commonwealth only solicit an estimate of total project cost from one bidder? If so, how can the Commonwealth be reasonably assured it has met its stated goal for a highly competitive and cost effective price for services as indicated in RFP Section 3.5?	As indicated in Section 8.4 it is the intent of DMAS to engage in discussions with at least the two most fully qualified Offerors. At that time, non-binding estimates of the cost to perform the anticipated services under the contract will be requested from each of the Offerors and that information will be used by DMAS as a comparative basis of what would be a competitive and cost effective price for the contracted services.
20.		Please provide the current hourly rates and total hours by staffing category for the most recent contract year?	The current hourly rates by staffing category are as follows: Partner $101.52 Senior Manager / Manager 91.63 Manager / Supervisor 61.90 Senior Associate / Senior 49.52 Associate / Assistant 44.57 Para Professional 38.38 Senior Consultant 141.41 Consultant 110.66 Staffing hours for the contract year 2004 were:

	Cost Settlement	Field Audit	PFA Audit	Appeals Representation	Special Projects
Partner / Principal	4	1,128	276	19	18
Senior Manager / Manager	2,010	3,143	64	590	99
Manager / Supervisor	7,738	3,086	1,976	786	162

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			Senior Associate / Senior	9,274	7.920	1,503	230	209
			Associate / Assistant	2,211	8,300	998	25	47
			Para Professional	9,273		795	12	1,746
			Totals	30,510	23,577	5,612	1,662	2,281