

July 29, 2020

VIA EMAIL

Ms. Jami Snyder
Director
Arizona Health Care Cost Containment System
701 East Jefferson Street
Phoenix, Arizona 85034
jami.snyder@azahcccs.gov

Ms. Meggan LaPorte
Chief Procurement Officer
Arizona Health Care Cost Containment System
701 East Jefferson Street
Phoenix, Arizona 85034
meggan.laporte@azahcccs.gov
procurement@azahcccs.gov

RE: Appeal from Procurement Officer's Decision re Solicitation No. YH20-0001 (Health-e-Arizona Plus Maintenance and Operations Services)

Director Snyder:

This firm represents The Center to Promote Healthcare Access dba Alluma ("Alluma"). For eighteen years, Alluma has served as the State's partner in both developing and maintaining highly successful solutions and services; and, for the last seven years, has worked closely with the State in developing, maintaining, and operating the nationally recognized HEAplus system. On March 23, 2020, Alluma timely submitted a proposal in response to the Arizona Health Care Cost Containment System's ("AHCCCS") Request for Proposal, Solicitation No. YH20-0001 Health-e Arizona Plus Maintenance and Operations Services ("RFP").

On June 26, 2020, AHCCCS notified Alluma that it had not been selected for award. See Notice of RFP YH20-0001 Results & Procurement Determination, attached as **Exhibit 1**. As part of AHCCCS' June 26, 2020 Notice, the AHCCCS Chief Procurement Officer ("AHCCCS CPO") included a March 27, 2020 Procurement Determination, wherein the AHCCCS CPO found that Alluma's proposal was "not susceptible for award." See *id.* ¶ 1. As a result of the Procurement Determination, the AHCCCS CPO excluded Alluma from evaluation of its technical proposal. The AHCCCS CPO did not notify Alluma of the Procurement Determination immediately (that is, at a time when Alluma could have challenged the susceptibility determination and before it was materially prejudiced by its elimination from consideration), because the AHCCCS CPO found,

without further justification, that “prompt notification of Alluma would compromise the State’s ability to negotiate with other offerors.” *Id.* ¶ 2.

On July 6, 2020, Alluma timely filed a Protest of the AHCCCS CPO’s Procurement Determination and contract award decision. See Alluma’s Protest, attached as **Exhibit 2**. On July 24, 2020, the AHCCCS CPO denied Alluma’s Protest. See Procurement Officer’s Decision, attached as **Exhibit 3**. This letter constitutes Alluma’s timely Appeal from the Procurement Officer’s Decision.¹ See Arizona Administrative Code (“A.A.C.”) R9-22-604 (I)(1); see also R2-7-A905(A).² Pursuant to A.A.C. R9-22-604(I)(2) & R2-7-A905(B), the interested party submitting this Appeal, along with its pertinent contact information, is as follows:

The Center to Promote HealthCare Access dba Alluma (“Alluma”)

Attn: Robert Phillips
President & Chief Executive Officer
1951 Webster St f2
Oakland, CA 94612
(510) 844-2291
rphillips@alluma.org

For all the reasons discussed below, including that Alluma was improperly excluded from evaluation, thereby depriving the State of a complete evaluation of the best value to the State, we respectfully request that the Director: (a) reverse the AHCCCS CPO’s Procurement Decision; (b) sustain the Protest; and (c) award Alluma the contract; or (d) issue a new solicitation consistent with the applicable procurement code and regulations. See A.A.C. R9-22-604(H)(3) & R2-7-A909. If the Director is not inclined to grant Alluma’s Appeal solely on the procurement file, Alluma requests an administrative hearing pursuant to R9-22-604(I)(2)(d) and (K); see also R2-7-A912.

Alluma further requests that AHCCCS stay implementation of the contract pending resolution of Alluma’s Protest and Appeal. See R9-22-604(F) & R2-7-A907.

I. INTRODUCTION

Alluma presented the AHCCCS CPO with a detailed Protest that articulated a host of substantial errors in the procurement process, any one of which would have justified Alluma’s requested relief. Yet, the AHCCCS CPO’s Procurement Decision improperly denied the Protest in its entirety – addressing some of the issues raised in the Protest with little to no meaningful analysis and wholly ignoring others. The question for the Director in this Appeal is whether the AHCCCS CPO, sitting in review of her own decision, abused her discretion. Based on the facts and circumstances of this highly unusual procurement, set forth in detail in Alluma’s Protest and this Appeal, it is clear that she did. Therefore, the Director should reverse the AHCCCS CPO’s Procurement Decision, sustain Alluma’s Protest, and grant Alluma’s requested relief.

¹ Alluma incorporates its Protest, and all arguments contained therein, as if fully set forth in this Appeal. Alluma further incorporates its entire proposal and the procurement file posted on June 26, 2020 by this reference.

² As discussed below and in Alluma’s Protest, **Exhibit 2**, at 9, it is not clear that this procurement is exempt from the Arizona Procurement Code and implementing regulations.

II. SUMMARY OF ARGUMENTS ON APPEAL

Alluma's Protest and Appeal can best be viewed through the lens of the following questions: What happened? Why did it happen? And, did the contract award result in the best value to the State of Arizona?

What happened? The AHCCCS CPO excluded the Alluma proposal three days after submission, stating it was because Alluma's price was too high; deeming Alluma not susceptible for award. After arbitrarily excluding the incumbent offeror Alluma from evaluation of its substantive proposal, the AHCCCS CPO awarded a \$39 million maintenance and operations ("M&O") contract to Accenture, a vendor that scored an **F** (that is, **less than 60% of the available points**) on the State's most important evaluation criteria – Experience/Expertise and Methodology. According to the evaluation committee's "highly qualified subject matter experts," the successful contract awardee only scored 59.3% of the available points on the evaluation criteria most important to the State. The AHCCCS CPO then used that M&O award – to an offeror given a failing grade (using a standard grading scale) – to award Accenture an *additional* \$82 million for non-competitively procured development work and infrastructure.

The amount, which is more than two times the competitively procured M&O contract, amounts to a non-competitively procured blank check, using "back of the napkin" math to avoid repeatedly seeking CMS approval. The AHCCCS CPO awarded at least \$82 million for undefined "development and infrastructure" to a below-average scoring M&O offeror, with no metrics or any other method for evaluating the costs (such as price per hour), actual quantity of work the State would get in return, the anticipated hours allowed for each project, or quality and integrity of development work. There was no limiting principle whatsoever, just a non-competitive award for \$82 million. No other vendor was allowed to compete for that development work in the RFP or otherwise. The State's contract award for \$121 million went to the M&O offeror that scored only 59.3% of the available points for the most important evaluation criteria, and where two-thirds of the award was not competitively procured. Yet, the Procurement Officer's Decision determined the contract award was the "best value" for the State.

How did it happen? Quite simply, this was the result of the AHCCCS CPO's highly unusual and improper step of circumventing the statutory and regulatory procurement process. Rather than follow that process, the AHCCCS CPO elevated the least-important evaluation criterion (price) over all others. In doing so, the AHCCCS CPO, who is not a subject matter expert, usurped the role of the "highly qualified subject matter experts from both AHCCCS and DES," thus serving as a one-person evaluation committee with respect to Alluma, discarding Alluma's responsive proposal in direct violation of the RFP's evaluation criteria and – critically – their relative order of importance.

A reasonable procurement officer would have asked why the incumbent provider, which has extensive experience in providing M&O work for HEAplus for the past seven years, would have proposed a higher price than non-incumbent providers. Instead, the AHCCCS CPO did not ask a single clarification question, did not seek to determine why Alluma's proposal may have been higher than others (in terms of the quality or quantity of the work provided), and arbitrarily excluded Alluma from consideration and evaluation. In refusing to submit Alluma's proposal even to be evaluated by the group of "highly qualified subject matter experts from both AHCCCS and DES," the AHCCCS CPO violated the procurement code, abused her discretion, and did not award the contract to the offeror most advantageous to the State.

Did the contract award result in “best value” to the State of Arizona? Unequivocally, no. Not only were there several material violations of the procurement code and regulations in the course of this procurement, but the record before the AHCCCS CPO was clear that the M&O contract award decision did not result in “best value” to the State. Further, there is no information to support that the additional \$82 million awarded to Accenture in development work and infrastructure will result in the “best value” to the State. Indeed, the only available information demonstrates that Accenture’s development price was higher than Alluma’s, such that the development work should have been competitively procured.

Alluma respectfully requests that the Director consider each of the Decision’s factual and legal errors and sustain its Appeal.

III. FACTUAL AND LEGAL ERRORS IN PROCUREMENT OFFICER’S DECISION.

It is clear that this procurement process was not consistent with applicable procurement statutes, regulations, and guidelines and that the AHCCCS CPO’s exclusion of Alluma from evaluation was a patent abuse of discretion.

A. The Procurement Officer’s Decision Improperly Affirmed the AHCCCS’ CPO’s Determination Excluding Alluma From Evaluation.

In support of the AHCCCS CPO’s Procurement Determination (finding Alluma not susceptible for award), the Procurement Officer’s Decision relies exclusively on the AHCCCS CPO’s conclusion that Alluma’s price was “exorbitant” or “excessive” as compared to the other offerors.³ The Procurement Officer’s Decision, which is at most conclusory, fails as a matter of law, fact, and practice.

The AHCCCS CPO’s susceptibility determination, which considered *only* price with no regard for the technical proposal, improperly failed to follow the evaluation criteria. Further, by stripping the evaluation committee – which the Procurement Officer’s Decision says were “highly qualified subject matter experts” – of the opportunity to evaluate the merits of Alluma’s proposal, the AHCCCS CPO improperly served as a reconstituted evaluation committee of one, without the subject-matter expertise to meaningfully understand qualitative differences among the proposals⁴ and, by definition, unable to truly assess the best “value” to the State.

The Procurement Officer’s Decision mentions, at least five separate times, the importance of selecting a contract that “provides the best value to the State.” See Decision, **Exhibit 3**, at 4-10. “An indispensable element for award of the HEAplus contract is the selection of an Offeror

³ It is worth noting that the Procurement Officer’s Decision repeatedly claims that a \$90 million difference in price (pre-BAFO for Alluma, post-BAFO for others) is “exorbitant” and “excessive.” But the Decision makes no real effort to justify the nearly \$82 million additional award to Accenture without a competitive procurement at all.

⁴ As just one example, the Procurement Officer’s Decision provides that the AHCCCS CPO expected the cost of M&O to decrease because “hosting” was not an HEAplus requirement. As set forth below, although the State is moving to the cloud, there are still significant M&O costs associated with the cloud. Those costs were necessarily included in Alluma’s proposal, which the evaluation committee would have considered had the committee been given the chance to evaluate it.

which provides the best value to the State.” *Id.* at 4. The AHCCCS CPO’s conclusion is that, because Alluma’s cost was higher than the other Offerors’, it was not “consistent with providing the best value to the state.” *Id.* at 10. But the AHCCCS CPO conflates value with cost. They are not the same, particularly in the procurement context.

Namely, “value” means what the State received – in terms of quality and quantity of services – for a competitively-procured price. Value does not mean price alone. By definition, if the State wanted the lowest cost for M&O services, it should have issued a competitive bid (where the lowest cost wins) and not a competitive proposal (where qualitative features generally drive the decision). Or, it would have been required to make price the most important evaluation criterion (or, not the *least important* criterion, as it did here), make price a pass-fail component of the RFP, or set some metric or parameter with respect to price. Although it would have had discretion to do any of those things in issuing the RFP, it did not. And, having drafted the RFP as it did, the State could not change course and elevate cost above the other, more important evaluation criteria. See *e.g.*, RFP, Special Instructions to Offerors, ¶ 3, at p.41 (“evaluation factors are listed in their relative order of importance”); A.R.S. § 41-2534(E); R9-22-602(2) (“The Administration shall evaluate a proposal based on the . . . evaluation factors listed in the RFP.”); R2-7-C301(C)(h); R2-7-C316(A) (procurement officer “shall evaluate offers and best and final offers based on the evaluation criteria listed in the request for proposals” and “shall not modify evaluation criteria or their relative order of importance after offer due date and time”). But, that’s exactly what the AHCCCS CPO did.

The State undoubtedly has discretion to establish its evaluation criteria and their relative order of importance in issuing an RFP. The “value” to the State is reflected in the relative order of importance of its evaluation criteria. Here, the State chose for the “value” decision to be driven by subjective/qualitative factors (which accounted for 75% of the points) and not price (25% of the points). That is, in issuing the RFP the State defined for prospective offerors that its value determination – its determination of which offer would be “most advantageous to the State” – would be determined based on the quality and quantity of services provided, with price being the least important factor. Having made that discretionary decision and weighting the criteria accordingly in advance of receiving the proposals, the AHCCCS CPO had no discretion to vary from the evaluation criteria or their relative order of importance. The “best interest of the State” should have been the offer that best met the State’s most important evaluation criteria combined with the offer’s price score and not, as the Procurement Officer’s Decision says repeatedly, the most “cost effective” offer. See, *e.g.*, Decision, **Exhibit 3**, at 4.

The AHCCCS CPO abused her discretion by focusing exclusively on price (and on repeated claims that Alluma’s price was “exorbitant”) without referring at all to the actual value – the quality and quantity of services – the State was to receive in exchange for Alluma’s proposal. The Decision refers to Alluma’s “cost bid” throughout, as if the technical proposal and cost proposal were separate. And, although the proposed price was scored separately from the technical aspect of the proposal, the two parts were necessarily, inextricably linked. It is impossible for the AHCCCS CPO to have concluded that Alluma’s overall proposal was not the “best value” to the State, because the AHCCCS CPO ignored and disregarded the most important part of the equation – the 75% of the RFP attributed to the qualitative elements of Alluma’s proposal. Again, this was not a “low price” RFP, and the AHCCCS CPO’s conclusions that Alluma’s proposal was not “best value” or not “most advantageous to the State” suffer from the same fatal flaw – Alluma’s proposal was never evaluated and was improperly rejected based on the least important evaluation criterion.

The Procurement Officer’s Decision gives short shrift to this critical issue, and completely fails to explain how the AHCCCS CPO’s decision comported with the evaluation criteria and their relative order of importance. And, indeed, the Decision actually *proves* that the AHCCCS CPO improperly elevated price above all else, contrary to the RFP and Arizona law: because the AHCCCS CPO unilaterally determined that Alluma’s “cost proposal was exorbitant,” she concluded without further analysis that Alluma’s proposal as a whole, “was not the most advantageous to the state, failed to provide the best value to the state, and failed to satisfy the RFP requirements in a cost effective manner.” See Decision, **Exhibit 3**, at 10.

Further, the Procurement Officer’s Decision makes no effort to demonstrate that Accenture’s successful offer – which scored fewer than 60% of the available qualitative points – represents the best “value,” other than to say it was a lower price. The RFP’s most important evaluation criteria were Experience/Expertise (475 points) and Methodology (275 points). None of the three low-priced vendors scored very well on those critical evaluation criteria (which, alone, should have raised red flags), and Accenture was no exception.

	Max Points	Accenture	Letter Grade⁵ (Percent of Points Available)
Experience/Expertise	475	266	F 56%
Methodology	275	176	D 64%
Price	250	246	A 98%
TOTAL SCORE	1000	691	D 69%

These are not strong scores by any measure, and certainly should have raised serious questions about the feasibility of Accenture’s cost proposal and/or whether Accenture was offering the quality and quantity of services comparable to the services currently received and necessary

⁵ The “letter grade” is taken from a standard grading scale for illustrative purposes: A (90-100); B (80-89); C (70-79); D (60-69); and F (59 and below).

to meet the State's needs.⁶ Combined, the Accenture proposal scored fewer than 60% of the 750 allowed points for the most important evaluation criteria, Experience/Expertise and Methodology. Even when price is factored in, Accenture scored only 69% of the total points available.

By failing to evaluate Alluma's proposal, and by elevating price over the most important evaluation criteria, the AHCCCS CPO awarded this critically important contract to a low scoring offeror with a proposal that is either not feasible at its offered price, or will not result in the quality and quantity of services the State needs to maintain and operate HEAplus.

B. The Procurement Officer's Decision Erred in Affirming the State's \$82 Million Non-Competitively Procured Award to Accenture Outside the M&O RFP.⁷

Despite Accenture's low point score, the AHCCCS CPO rewarded Accenture by adding substantial development work to the M&O contract award. Specifically, in an effort to avoid "going back to CMS everytime we have an SR or purchase software for contract approval," the AHCCCS CPO added to Accenture's contract award a "line item for work above and beyond MO," even though the "current RFP does not have a dollar amount for SR type work or the software pass through charges." See Email from Mr. Lippert, at AHCCCS_00142, attached hereto as **Exhibit 4**. The dollar figure was based on Alluma's System Request (SR) for the first four months of 2020 plus 25%, with the caveat that "[i]f for some reason we did need to go over then we would do a contract amendment." *Id.*

The Procurement Officer's Decision attempts to minimize the State's failure to competitively procure at least \$82 million by citing to the RFP and Solicitation Amendment No. 2, which simply described the System Request process and indicated that "some development" work "may" be added onto the successful M&O contract.⁸ See Decision, **Exhibit 3**, at 6. The Decision then faults Alluma for not raising the issue before it submitted its proposal, arguing that Alluma waived that objection pursuant to R9-22-604(D)(1). But by definition, waiver applies only to issues that are apparent on the face of the solicitation. And this issue was not apparent before proposal submission. The RFP said only: (a) that the State "may" award "some development" work; (b) that offerors should "not include new development SRs into their cost proposals;" and (c) that "costs for responding to SRs will be separate from Offeror's cost proposal to this RFP as new development costs are unable to be quantified at this time." See Decision, **Exhibit 3**, at 6.

Additionally, that the RFP included language about development does not mean that awarding \$82 million without a competitive procurement process complied with Arizona law. See, e.g. A.R.S. § 41-2535 (providing that all expenditures of \$100,000 or more must be competitively procured). The Procurement Officer's Decision includes no citation to any applicable statute,

⁶ Alluma provided the AHCCCS CPO with evidence demonstrating that Accenture's proposal, at its offered price, simply is not feasible and will result in cost overruns for the State. See Protest, **Exhibit 2**, at 23. The AHCCCS CPO did not address Alluma's argument in the Decision.

⁷ Alluma raised this issue in its Protest, at 22 n.5. At that time, Alluma did not have AHCCCS' response to its public records request. Those records provide further context and support for Alluma's position that the \$82 million development award violated Arizona procurement law and did not result in an award most advantageous to the State.

⁸ In addition, Alluma's current contract structure has nothing to do with whether the instant development services, for \$82 million, were competitively bid.

regulation, or other rule that supports the State's decision to award more than \$82 million without any competitive procurement for actual development services, as opposed to M&O which is a wholly separate scope of work. The State's decision does not square with the notion that "[m]aximizing the value of public monies to the greatest extent possible is crucial the objective of public procurements," or that AHCCCS must be a "responsible, prudent steward of taxpayer funds and resources" (both of which the AHCCCS CPO used to justify deviating from the RFP's evaluation criteria in excluding Alluma from evaluation). See Decision, **Exhibit 3**, at 8.

The AHCCCS CPO makes no effort to justify the merits of the after-the-fact award to Accenture, nor could it. The RFP did not include any metrics to evaluate the successful offeror on its development work, other than asking each offeror to acknowledge that it would follow the SR process included in the RFP. But, describing the SR process in the RFP is not the same as a competitive procurement for development services, such that the State is "maximizing the value of public monies." Nor is an \$82 million contract award "some development." It is clear now, though it was not apparent from the face of the RFP, that the State meant to award *all* the development work for HEAplus, for a five-year period, without evaluating the successful offeror's experience, qualifications, or price for development. Because the offerors were specifically told not to include pricing for development work, there was no way for the State to evaluate the efficacy of a development proposal. Instead, the State used the M&O evaluation and scoring as a stand-in for development work. But the two are not equivalent – development requires different skills, experience, knowledge of the platform, operating software, rules, program and data integrations than does M&O.

Moreover, there are at least two problems with the State's approach here, beyond the failure to conduct a competitive procurement for development services. **First**, the successful contract awardee scored poorly on the qualitative portion of the M&O evaluation. But, because other offerors scored worse, and the AHCCCS CPO excluded Alluma, Accenture received the "highest" score. After awarding an M&O contract to an offeror who scored less than 60% of the points for the most important evaluation criteria, the State then gave that same, below average offeror an \$82 million development add on to the contract. The Procurement Officer's Decision makes no effort, nor could it, to argue that this decision was in the best interest of the State. **Second**, the RFP did ask offerors to submit cost proposals, that were not scored, for a limited subset of development work. And as to that work, Accenture's proposal (\$898,905.00) was *almost double* Alluma's (\$498,923). The only objective evidence shows that Accenture's development was not the lowest cost to the State, and very likely was not the "best value" to the State.⁹

The Procurement Officer's Decision does not meaningfully address any of Alluma's arguments with respect to the \$82 million contract award. Therefore, Alluma requests that the Director reverse the Decision and affirm Alluma's Protest.

⁹ In addition to the evidence available to the AHCCCS CPO in Accenture's proposal, Alluma provided additional real-world support from other states illustrating the significant possibility that Accenture's proposal either may not meet the full range of the State's M&O needs or will not do so without considerable cost overruns. See Protest, **Exhibit 2**, at 22-24. As the incumbent with extensive knowledge and experience with the HEAplus system, had Alluma's proposal been part of the evaluation process, the evaluation committee would have seen demonstrable differences in the quality and quantity of M&O services offered in to meet the State's needs.

C. The Procurement Officer's Decision Erred in Affirming the AHCCCS CPO's Violations of AHCCCS' Procurement Regulations.¹⁰

Alluma's Protest raised, and the Procurement Officer's Decision largely ignored, several violations of AHCCCS' procurement regulations. Those regulations permit rejection of a proposal "[i]f the Administration determines that it is in the best interest of the state," *id.* R9-22-602(C)(4). The AHCCCS procurement regulations do not permit rejection of a proposal because the AHCCCS CPO determines it is "not susceptible" for award or because a proposal's cost is "unreasonably high" compared to other proposals received, particularly if that determination is contrary to the evaluation criteria and their relative order of importance. At the time she issued the Procurement Determination finding that Alluma was "not susceptible" for award, the AHCCCS CPO did not make a determination that rejecting Alluma's proposal prior to evaluation was "in the best interest of the state." That language appears in the Procurement Officer's Decision after-the-fact, but was not the basis for excluding Alluma from consideration.

And, excluding Alluma from consideration prior to evaluation based on the *least important evaluation criterion* was not in the best interest of the State. By stripping the evaluation committee of the ability to evaluate the technical aspects of Alluma's proposal – the parts of the proposal that were, by definition, most important to the State – the AHCCCS CPO's Procurement Determination ran afoul of R9-22-602(C)(4). The AHCCCS CPO had no authority under R9-22-604 to reject Alluma's proposal and Alluma's Protest must be sustained.

AHCCCS' regulations also require that, for responsive and responsible offerors (of which Alluma was unquestionably one), "[t]he Administration shall provide an offeror fair treatment with respect to discussion and revision of a proposal." R9-22-602(B)(3). Here, the AHCCCS CPO initiated discussions and negotiations with all offerors *except* Alluma. The AHCCCS CPO's Procurement Determination, rejecting Alluma's proposal prior to evaluation and excluding Alluma (a responsive and responsible offeror) from any discussion or negotiation, failed to provide Alluma the requisite fair treatment in violation of R9-22-602(B)(3). The Procurement Officer's Decision does not address Alluma's unfair treatment, other than the refrain that its price was "exorbitant." Other offerors were provided an opportunity to negotiate their price proposals, but Alluma was not. The AHCCCS CPO makes no effort to defend that abuse of discretion.

And, by failing to notify Alluma of the Procurement Determination that it was not susceptible for award at an earlier stage, the AHCCCS CPO unfairly deprived Alluma of a fair opportunity to discuss, clarify, or potentially protest the Determination in a way, and at a time, that would have avoided the State being left with three offerors who achieved failing scores for their experience, expertise, and methodology. The Procurement Officer's Decision provides no

¹⁰ Alluma separately incorporates its argument that the Procurement Determination failed to comply with the Arizona Procurement Code and ADOA's Procurement Regulations. See Protest, **Exhibit 2**, at 11. Specifically, the ADOA regulations require that: "When there is doubt as to whether an offer is susceptible for award, the offer should be included for further consideration." R2-7-C311 (emphasis added). The Procurement Officer's Decision relies only on price, ignoring the most important evaluation criteria, in concluding that "[n]o doubt existed with respect to susceptibility of award." See Decision, **Exhibit 3**, at 10. This is another example of the AHCCCS CPO's improper reliance on price as the only reason to exclude Alluma, without regard for the most important evaluation criteria.

meaningful justification for the AHCCCS CPO's decision to withhold the determination under the rules other than because she can.¹¹

AHCCCS' own "Scoring Methodology," developed in advance of AHCCCS' receipt of proposals, also supports that a pre-evaluation susceptibility determination based on cost was not within the evaluators' or the AHCCCS CPO's contemplation, and arose as an improper, additional requirement to the RFP only *after* proposals were submitted. See Scoring Methodology, attached as **Exhibit 5**. Specifically, the Scoring Methodology provided that a susceptibility determination would be made – but *only* based on each offeror's ability to meet the RFP's pass/fail mandatory requirements. There was no provision in the Scoring Methodology for an initial susceptibility determination at the pre-evaluation stage based on cost. There were no parameters surrounding cost in the RFP (no maximum costs or disclosure that cost would be a pre-qualification factor), other than the fact that price was the least important evaluation criterion. The decision to exclude Alluma based on cost was an after-the-fact, unilateral decision by the AHCCCS CPO, without consultation from the evaluation committee's technical experts.

The Procurement Officer's Decision largely ignores these arguments, other than making the conclusory statement that Alluma's price was too high and therefore was not in the "best interest of the State." That conclusion does not square with the RFP, nor does it comply with Arizona law requiring that proposals must be evaluated in accordance with the RFP's evaluation criteria and their relative order of importance.

D. The Procurement Officer's Decision Erred in Affirming the AHCCCS CPO's Deviation from AHCCCS' Own Past Practices.

Further demonstrating the arbitrary nature of the Procurement Determination, the determination is wholly inconsistent with AHCCCS' past practice. Indeed, AHCCCS has considered proposals that have a *much* higher price differential in the past without finding them "not susceptible" for award. As just one example, in 2019 AHCCCS issued an RFP for AHCCCS Works Portal. AHCCCS received ten proposals in response to the RFP. AHCCCS scored each of the ten proposals after a full evaluation, regardless of the price differential between the offerors' cost proposals. See BAFO Scoring Summary, YH19-0028, attached as **Exhibit 6**.

Accenture's proposal (for \$16.8 million) was more than **442%** higher than the lowest cost evaluated option by SIS/Alluma (for \$4.4 million). Accenture's cost proposal received 57 points out of 250, yet Accenture was not deemed "not susceptible for award." Deloitte also received a cost score of 57 out of 250, yet Deloitte was not deemed "not susceptible for award." In fact, both Accenture and Deloitte were invited to present a demonstration of their proposed solutions. In this RFP, Alluma's pre-BAFO cost proposal was at most 279% higher than the lowest offer. Had Alluma's cost proposal been scored in response to this RFP it would have received 66 points out of 250. Yet, Alluma was arbitrarily deemed "not susceptible for award."

¹¹ The AHCCCS CPO argues that because the procurement file may have been confidential prior to award, Alluma would not have been permitted to protest anyway. At the very least, even without access to the procurement file, Alluma would have been permitted to identify potential issues and questions for the AHCCCS CPO to consider before completely eliminating Alluma from consideration prior to evaluation. The AHCCCS CPO's decision stripped Alluma of that opportunity.

Another vendor, RCR Technologies, received only 25 points out of 250. Although RCR Technologies ultimately was not asked to participate in a demonstration, its proposal was not rejected as not susceptible for award based only on cost, and its technical proposal was fully evaluated. The AHCCCS Works Portal Scoring Summary demonstrates that even proposals with low cost scores were fully susceptible for award based on their technical proposals (Accenture and Deloitte were in the top four point-scorers, notwithstanding their relatively low-cost scores).

Because AHCCCS' own past practice supports full evaluation of proposals regardless of price differential, and because the AHCCCS Works Portal Scoring Summary demonstrates that even a 442% price differential does not take a proposal outside the susceptibility range, the Procurement Determination in this procurement was arbitrary and an abuse of discretion. Alluma's proposal in response to this RFP was susceptible for award (and was certainly more susceptible than Accenture's and Deloitte's fully scored proposals in the AHCCCS Works Portal procurement). Had Alluma been permitted to participate – as Accenture and Deloitte were in the AHCCCS Works Portal proposal – Alluma would have attained the highest score, and should have been awarded the contract. Again, by eliminating the evaluation committee's feedback regarding the efficacy of Alluma's submittal for HEAplus Maintenance and Operations, the AHCCCS CPO basically converted the evaluation from one of "best value" to one of "best price."

The Procurement Officer's Decision attempts to justify the Procurement Determination excluding Alluma by noting that (1) each procurement is different and the raw cost differential in this procurement was higher than in the AHCCCS Works Portal procurement, and (2) the prices in AHCCCS works were "clustered" (two low, two high), whereas Alluma was an "outlier" here. We will address each purported justification in turn.

First, although each procurement is certainly unique, each must be evaluated in accordance with the applicable evaluation criteria and scored using the applicable scoring methodology. Raw price and raw price differentials (\$90 million or otherwise), are not relevant *except as they are scored and given a relative point value*. In both this procurement and the AHCCCS Works Portal procurement, the relative price scores were determined using the same formula. The entire objective of the formula was to assign a point score to each offeror's cost in light of the relative importance of price, in light of the unique procurement.

As such, the clearly after-the-fact attempt to use the raw price differentials, ignoring how the AHCCCS CPO treated the normalized point scores, side-steps the fact that this procurement was not consistent with AHCCCS' past practice. And, again, it is clear that the AHCCCS CPO made a determination outside the RFP's evaluation criteria by unilaterally deciding that an approximate \$90 million "additional" cost to Arizona taxpayers (pre-BAFO and in complete disregard for the technical proposal and quantity and quantity of services offered at that price) justified excluding Alluma *even from evaluation* by the actual subject matter experts, whereas a potential \$15 million additional cost to Arizona taxpayers meant that all offerors were included in the full evaluation. See Decision, **Exhibit 3**, at 11.

Second, the fact that three of the offers were "clustered" at a certain price point, and the incumbent vendor was higher (an incumbent that developed HEAplus and has maintained and operated it ever since) should have caused the AHCCCS CPO pause, rather than compelling a wholesale rejection of the incumbent's proposal. That is, a reasonable procurement officer would have been curious about the price differential between an experienced incumbent and the others, and would have considered whether there was a reason the incumbent, the only vendor with

HEAplus experience, was an “outlier” in terms of its price. At the very least, a reasonable procurement officer would have asked Alluma a clarification question or two, submitted the proposal to the technical experts to evaluate the proposal, and attempted to negotiate a different price if warranted under the circumstances. None of that happened here. This is a particularly egregious error where none of the evaluated proposals achieved high scores from the expert evaluators on the most important evaluation criteria, a fact that should have raised additional questions about both the value and the feasibility of the scored proposals. Further, the AHCCCS Works Portal procurement had far more proposals (10) that were evaluated than this procurement – at most, the evaluation committee here would have evaluated four proposals instead of three.

This procurement was not consistent with the RFP, was not consistent with AHCCCS’ own recent procurement practice and did not result in the “best value” for the State. The AHCCCS CPO abused her discretion, and the Procurement Officer’s Decision erred in denying Alluma’s Protest.

E. The Procurement Officer’s Decision Did Not Address the AHCCCS CPO’s Failure to Follow the Arizona Procurement Manual.

Alluma argued in its Protest that the AHCCCS CPO’s failure to follow the Arizona Procurement Manual’s (“Manual”) guidance further highlighted the substantial error in the AHCCCS CPO’s Procurement Determination, without first scoring Alluma’s cost and evaluating its technical proposal. The Procurement Officer’s Decision ignores this argument and makes no effort to justify the scoring decision in this case – except to say that the AHCCCS CPO determined, without substantive evaluation, that Alluma’s price was too high.

The Manual provides guidance regarding the appropriate evaluation of proposal and illustrates the AHCCCS CPO’s material and prejudicial error. The Manual outlines that a competitive request for proposals typically consists of three steps:

- Administrative review of prequalification criteria (optional);
- Technical evaluation – An examination of the non-cost elements that were not considered during the administrative review, such as the functional specifications (e.g. hardware requirements, scheduling); and
- Cost evaluation – A comparison of the price proposed (and, at the agency’s option, other costs of the project) to the prices and costs of other competing proposals.

See Manual at § 6.5. The Manual contemplates that the technical proposal should be evaluated separately from the cost portion of the proposal:

Technical Proposal Review Team – This team is typically comprised of program and technical experts, and may conduct its evaluation under the direction of a team leader (most commonly the procurement officer). The team is responsible for all aspects of the evaluation of the technical proposal. This may include review of vendor qualifications, such as the number of past projects performed of a similar size and scope, and proposed personnel resources, such as staff capacity. Depending on the nature of the RFP, the team may also be responsible to perform such activities as benchmark tests, site visits, and reference checks.

Cost Proposal Review Team – The cost proposal review team is typically comprised of one individual (usually the procurement officer), but may be a team of people, responsible for evaluating and scoring the cost proposals submitted in response to the RFP. The cost team works under the direction of the procurement officer.

NOTE: While it may be necessary for the cost team to obtain technical information to clarify the association between costs and technical components, the technical evaluators must not be provided with the proposed costs until after their evaluation is complete.

Id. § 6.6.1. While the technical proposal must be evaluated in accordance with the RFP’s stated evaluation criteria in their relative order of importance, the Manual recommends that cost be evaluated and scored by a formula ((Lowest Price/Price Offered) * Max Points = Awarded Points).

Nothing in the Manual suggests that a procurement officer should remove a proposal from consideration by the technical experts because of price. In fact, the Manual says just the opposite. Here, the AHCCCS CPO failed entirely to follow the Manual with respect to Alluma. First, the AHCCCS CPO did not even score Alluma’s proposal using the cost formula set forth in the Manual and the Scoring Methodology applicable to this RFP. The decision to exclude Alluma was based, instead, on the percentage difference between Alluma’s proposed cost and other offerors’ proposed costs with no regard for the technical portion of Alluma’s proposal. That method (using raw cost numbers and percentage differences) was never disclosed to the offerors and was inconsistent with the Scoring Methodology adopted for this very procurement.

Further, the AHCCCS CPO usurped the role of the subject matter experts by refusing to allow the evaluation committee to review or score Alluma’s technical proposal separate from its cost, as provided by Manual § 6.5 and § 6.6.1. The Manual contemplates that an offeror’s cost proposal should not interfere with the technical evaluation – although technical evaluators may need to assess the relationship between cost and technical components. This separation of technical evaluation versus cost evaluation is plainly intended to prevent the technical evaluators from being influenced by an offeror’s cost offering. And the Manual clearly contemplates that the *combined* scores should result in the best value for the State (as opposed to just the lowest cost, as would result from an Invitation for Bids).

Here, rather than allow that process to proceed without unnecessary interference, the AHCCCS CPO removed Alluma from consideration because the AHCCCS CPO arbitrarily used the raw cost numbers (not the cost formula and associated points) to reject Alluma’s proposal. Eliminating Alluma before its technical proposal was evaluated is contrary to procurement best practices and did not result in the State achieving a contract award in its best interest.

F. The Procurement Officer’s Decision Erred in Affirming the AHCCCS CPO’s Determination that Alluma’s Offer Was Not Susceptible for Award.

The Procurement Officer’s Decision makes no effort to address Alluma’s extensive argument in the Protest that Alluma’s proposal presented the best value to the State. See Decision, **Exhibit 3**, at 11. Had the State considered Alluma’s proposal, even with the original price score included, Alluma would have been susceptible for award, would have been within a range warranting negotiations, and would almost certainly have been the successful contract

awardee. After all, AHCCCS' own July 1, 2020 press release's praise for HEAplus' success is necessarily praise for Alluma's success in partnership with the State. See July 1, 2020 Press Release, "AHCCCS Awards 5-Year Contract for HEAplus Eligibility System Maintenance and Operations," attached as **Exhibit 7**.

Based on the substance of Alluma's proposal, it is reasonable (even conservative) to expect that Alluma's score for Experience/Expertise, the most important evaluation factor, would have been 90% or more of the possible 475 points (that is, 427.5 points). Alluma's experience and expertise exceeded the RFP's required minimums and, critically, is specific to the HEAplus solution and operations that AHCCCS and CMS recognize as tremendously successful. It is also reasonable to expect that Alluma's score for Methodology would have been 90% or more of the possible 275 points (that is, 247.5 points), as the M&O program in place today, and upon which the RFP Scope of Work requirements were based, was developed in partnership with, and often led by, the Alluma team. In addition, Alluma's approach to and readiness for the new requirements is informed by its intimate knowledge of and plans to reuse and leverage past and present artifacts and processes, many of which have been approved by DHHS/CMS, AHCCCS and DES.

On Experience/Expertise and Methodology, Accenture scored 59.3% (445 of 750 points available). Again, this would be an overall F based on a typical grading scale. Deloitte and Optum scored 38.1% and 51.6%, respectively. These are all failing grades. And, when adding these grades together with cost, AHCCCS selected a vendor with a score of 59.3%, a D based on a typical grading scale. How is it that the AHCCCS CPO can consider selecting a vendor to support a critical Eligibility and Enrollment system (HEAplus) that is getting a failing grade, propped up only by a low-ball price that has no indication of reliability or feasibility? Alluma fully agrees with the State that the goal of this procurement is "best value" for the State. However, Alluma does not believe this procurement evaluation process resulted in the State receiving overall best value. The AHCCCS CPO making a susceptibility decision, without the full evaluation of all proposals (as was done for AHCCCS Works) actually robbed the State of a full and complete understanding of the best value for HEAplus M&O. This is the foundation of Alluma's Protest and was – essentially – ignored in the Procurement Officer's Decision.

Alluma's pre-BAFO score for price would have been 66 points, based on the initial price bid and using the Scoring Methodology formula. Even so, Alluma's point total would have exceeded Accenture's without even achieving the 90% scores in the more important categories. Namely, with a pre-BAFO score of 66 points for price, Alluma would have needed to achieve only 83.5% of the 750 points (or 626 points) allowed for Experience/Expertise and Methodology to have scored higher than Accenture (692 points versus Accenture's 691). Had Alluma been given the opportunity to submit a BAFO, it is entirely possible that the points Alluma needed for Experience/Expertise and Methodology would have been even lower. Alluma believes its proposal reasonably would have scored enough points for Experience/Expertise and Methodology, which would have resulted in a total award of 741 (the highest point score by 50 points). In any event, what is clear is that Alluma was susceptible for award and should have been evaluated and scored, not arbitrarily removed from the procurement process as "not susceptible."

///
///
///

	Max Points	Accenture (59.3%)	Alluma (83.5%)	Alluma (90%)
Experience/Expertise, and Methodology	750	445	626	675
Price	250	246	66	66
TOTAL SCORE	1000	691	692	741

In its Protest, Alluma cited to several examples taken from AHCCCS' own Strengths & Weaknesses Report that illustrated the strength of Alluma's technical proposal, both against the scoring criteria and as compared to the successful offeror's proposal. See Protest, **Exhibit 2**, at 15-20. Just one example, highlighted below, demonstrates conclusively that both Accenture's experience and its methodology depend, in some measure, on Alluma. The State's citing to Accenture's promise to "target incumbent staff"¹² as a strength shows that Alluma would have scored at least as well as, but almost surely better than, Accenture (that is, Alluma planned to retain all of its knowledgeable employees, not just 85%). Again, there would have been real value in having Alluma at least be a part of the evaluation committee's evaluation of the offerors' proposals.

Methodology	Accenture Score out of 5	Strengths	Weaknesses
3.1 Transition Methodology	3	Robust plan proposed. Attention to all phases of transition covered to provide a seamless transition. Include dedicated lead resources for the technical side and management side. Start Up Plan includes 2 weeks of 2 in a chair process - to bring both vendors together to resolve defects and accelerate knowledge transfer.	

¹² The propriety of the evaluation committee's seeming endorsement of another vendor poaching an incumbent's employees as a strength in its proposal is questionable, particularly in light of the fact that the incumbent was improperly excluded from consideration.

		<p>Will target incumbent staff for rehire and has a 85% success rate in hiring incumbent's staff to help with transition.</p> <p>Includes robust knowledge transfer approach including reports of status.</p> <p>Start Up Schedule diagram demonstrates 6 month start up.</p>	
--	--	---	--

Critically, Alluma's cost proposal cannot properly be viewed in isolation, separate from its robust technical proposal. Namely, in its response to the RFP, Alluma proposed M&O approaches and methods which support the full breadth of the services required to support Arizona and HEAplus M&O. Other offerors likely did not. Although Alluma's response to the technical portion of the RFP drove Alluma's pricing to be higher than other offerors' pricing, Alluma's offer presents a far more realistic estimate of the cost required to perform the work to adequately support HEAplus.¹³ By rejecting Alluma's proposal before evaluation, the AHCCCS CPO prevented Alluma from explaining the basis of its cost proposal (through clarification or discussion) and deprived Alluma of the opportunity afforded to other offerors to engage in discussions and/or price negotiations. By failing to evaluate Alluma's technical proposal, the AHCCCS CPO also failed to analyze: (1) the reasons for the cost disparity between the incumbent contractor's proposed price and the other offerors' proposals;¹⁴ (2) whether that disparity was justified by the technical proposal; and/or (3) whether the lower cost proposals presented a meaningful and/or feasible solution.

Because Alluma is a non-profit organization, what Alluma says and commits to is exactly what the State gets in return. Alluma's history with the State proves this out. Alluma does not bid low with the intention of continuously requesting change orders. It does not bid low with the hope of being considered for other procurement opportunities. It does not provide services that are outside its mission, such as a re-build of PMMIS or other such potential procurement opportunities. Instead, Alluma's proposal was experientially based. Alluma provided a price for what it knew was required to maintain and operate HEAplus and to support the State. It then added to that base the following:

- Costs associated with complying with, reporting on, and meeting new SLA's imposed in the RFP (RFP reference Section 5.5, specifically SLA ID # 1-12) and some expectation that given the SLA's the risk of sanctions also increases.

¹³ Additionally, Alluma's proposed costs are more aligned with comparable states' costs for M&O, such as Texas TIERS and others, see Protest, **Exhibit 2**, at 23.

¹⁴ Critically, the procurement file contains very little information regarding the basis for other offerors' cost proposals; and, to date, AHCCCS has declined to provide additional information.

- Costs associated with meeting the continuous and growing requirements of MARS-E (RFP Section 5.4.2) with the expectation of MARS-E version 3.0 expected to be released in mid 2021.
- Costs associated with the additional scope items including Section 5.1.1, 5.1.2, 5.2 and Online Knowledge Management System (Cost Section of the RFP).
- Cost associated with the creation, update, review and completion and frequency of delivery of a series of deliverables required in the RFP which are not part of the current M&O contract (RFP Section 5.3) as shown in the table below:

Deliverables			
#	Deliverable	Update Frequency	Target Submission Date
1	Start Up Plan	One Time	15 business days after the start of the contract, 10/1/2020.
2	Operational Readiness Test Plan	One Time	60 business days prior to the start of the operational test.
3	Start Up Phase Readiness Assessment	One Time	20 business days prior to the planned completion of all startup activities.
4	Operational Procedures Manual	Annual	30 business days prior to the planned completion of all startup activities.
5	Maintenance & Operations Plan and Schedule	Annual	30 business days after completion of startup period.
6	Infrastructure and Application Support Plan	Annual	140 business days after completion of startup period.
7	Quality Assurance Plan	Annual	160 business days after completion of startup period.
8	MARS-E Compliant Security Documentation	Annual	70 business days after contract start.
9	Transition Plan	One Time	Within 30 business days of notice of contract termination or expiration.
10	Project Status Report	Monthly	3 business days after the last day of each month.
11	Defect Remediation Report	Monthly	3 business days after the last day of each month.
12	Job Exceptions Report	Monthly	3 business days after the last day of each month.

Alluma also included a small price per hour increase (5%), because Alluma’s hourly rate has not increased for five years. Together, Alluma’s cost proposal best reflects the quality and quantity of work required under the RFP and presents the proposal most advantageous to the State.

The Procurement Officer’s Decision relied, in part, on the conclusion that “because the HEAplus system has been built and is in operation, cost bids associated with the RFP . . . were not expected to grow significantly. Moreover, ‘hosting’ is not an HEAplus RFP requirement, in contrast to the responsibilities arising under the existing HEAplus contract.” See Decision, **Exhibit 3**, at 4. The AHCCCS CPO appears to believe that because HEAplus will migrate to the cloud, AHCCCS will require substantially fewer M&O hours. The AHCCCS CPO’s statement reflects a fundamental misunderstanding of the State’s current services and actual needs and is definitive proof that the AHCCCS CPO should have provided Alluma’s proposal to the technical, subject matter experts for evaluation.

Specifically, the current contract between AHCCCS and Alluma for M&O includes a series of “service categories” and the number of hours expected to be required in each category. The total expected hours for these services per month is 11,065, equating to 132,785 hours per year. See HEAplus Current Contract M&O Hours, attached as **Exhibit 8**. AHCCCS’ plan to migrate to the cloud will not reduce these M&O requirements, and the AHCCCS CPO’s failure to understand that fundamental fact reinforces the importance of having the subject matter experts review each submitted proposal on its own merits. Using this metric (132,785 hours per year for M&O) for the

State's required level of services to evaluate Accenture's initial M&O cost proposal makes clear that, either Accenture is bidding an average \$55 cost per hour to deliver the same level of service (\$7,302,475/132,785), which is highly unlikely and substantially below-market, or Accenture expects to deliver somewhere in the range of 48,000 to 58,000 hours annually (36% to 44% of current contract hours), assuming a blended rate of between \$125 per hour to \$150 per hour.

$$\begin{aligned} \$7,302,475/\$150 &= 48,683 \text{ (36\% of current contract hours)} \\ \$7,302,475/\$125 &= 58,420 \text{ (44\% of current contract hours)} \end{aligned}$$

Although Alluma cannot definitively test either Accenture's rate per hour or the number of service hours Accenture intends to deliver in relation to any of the required service categories (because the RFP did not require that level of detail), it is clear that Accenture's price (and the other offerors' "clustered" price offers) will result in a vastly reduced level of M&O service for the State, or significant cost overruns. **Again, this analysis reinforces why a procurement officer should not usurp the role of the technical, subject matter experts and why a determination of "value" cannot be driven exclusively by an offer's price.**

None of the currently required service categories is related to 'hosting.' See M&O Hours, **Exhibit 8**. And, the vast majority of these hours, almost 90 percent, are not even related to the maintenance of infrastructure and databases. *Id.* Yet the Procurement Officer's Decision relied on a preconceived and flawed idea that hosting in the cloud would substantially eliminate the M&O costs associated with services received by AHCCCS today. This notion plainly led the AHCCCS CPO to expect, incorrectly, substantially reduced M&O costs. The low-cost bids submitted by the non-incumbent vendors reinforced this conclusion. Additionally, Alluma's proposal was not included as a backstop for the technical evaluators to determine and evaluate whether a given offer's quantity and quality of services met the State's actual M&O needs. The AHCCCS CPO, who is not a technical subject matter expert, incorrectly assumed that by migrating to the cloud, AHCCCS required level of services and maintenance would be substantially reduced. That assumption was plainly wrong and the conclusions that flowed from it regarding the "exorbitance" of Alluma's price are inherently flawed.

HEAplus is moving to the cloud with the core HEAplus infrastructure migrated as Infrastructure as a Service (IaaS). In this model, the cloud service provider (Microsoft Azure), provides the hardware on which virtual machines (VMs) are hosted, similar to virtual servers operating in an 'on premise' data center. The primary value of cloud hosting in the IaaS model is the elimination of periodic capital outlays for hardware, *not substantial reduction in resources required to maintain the solution infrastructure.*¹⁵ This 'hosting' cost was not included in the Alluma M&O cost proposal. But the cost to maintain the VMs hosted in the cloud is still required, and those hours were included. The cost of securing, operating, monitoring and maintaining the VMs, third party software, storage, HEAplus software and components, HEAplus solution performance, external system interfaces, databases, a broad and increasing array of security requirements and compliance continue, regardless of whether hosting is physical or virtual. In addition, the State continues to require service hours to support the operation of the highly successful automated processing of eligibility referrals, renewals and changes, and state team operations, including

¹⁵ As a simplified example: just because a user migrates all of her photos to the cloud, she still must expend a level of effort to maintain, add, and manage those photos and to respond to the cloud provider's requests, requirements, updates, etc. The cost of photo storage (or 'hosting') is separate from the time and effort required to maintain the data actually hosted in the cloud.

meeting participation, ticket review, analysis, evaluation and remediation, build management and support, and program evaluation. Had the AHCCCS CPO consulted with the evaluation committees highly skilled subject matter experts, it would have been clear that Alluma's proposed price was reasonable in light of the State's actual M&O needs.

By excluding Alluma's proposal without the benefit of the evaluation committee's review, there was no way for the State to fairly assess "best value." If Alluma had included more components (operations and maintenance) than the State was expecting, this should have been addressed through clarifications, negotiations, and the BAFO process, not the AHCCCS CPO's judgment, uninformed by subject matter expertise, that: "[i]n light of the three other proposals submitted, Alluma's cost bid for operations and maintenance of HEAplus is inconsistent with providing the best value to the State." The proposals submitted by the three other offerors simply did not have the depth and breadth of knowledge about the HEAplus system to meaningfully assess the true scope of the State's M&O needs. Because Alluma submitted a proposal presenting the "best value" to the State, the Procurement Officer's Decision erred in concluding that the Alluma was not susceptible for award.

G. The Procurement Officer's Decision Erred in Denying Alluma's Protest Regarding the Procurement's Lack of Transparency.

If the goal of this procurement was, as the Procurement Officer's Decision states, to "maximize the value of public monies," and to be a "prudent steward of taxpayer funds and resources," it stands to reason that AHCCCS and the AHCCCS CPO should welcome procurement protests, would want a transparent review of the procurement and evaluation process, and would have a goal of considering and remedying errors in the process to ensure full compliance with governing law. For several reasons, this process has fallen short.

First, Alluma requested public records in connection with this procurement. Although AHCCCS has provided some categories of records, it has refused to produce highly relevant, unredacted versions of the successful offerors' proposal. AHCCCS' refusal to provide unredacted records is in violation of Arizona's public records law, and its strong presumption in favor of public access to public records. It does not further the goal of a transparent evaluation of AHCCCS' expenditure of significant public resources. Indeed, Accenture's redactions are so significant that it is impossible to evaluate what the State actually agreed to in selecting Alluma's proposal. See Deloitte Email (AHCCCS_00411-414), attached as **Exhibit 9**.¹⁶

And, it appears to be in violation of AHCCCS' own process, set forth in the RFP. Namely, the Procurement Officer's Decision quotes an RFP provision that provides a process for disclosing "confidential" materials, but then does not follow up with the steps AHCCCS has taken to comply. Once a request for materials has been made (it has), AHCCCS is supposed to notify the offeror that designated the material as "confidential" of the request for unredacted records, and a "period of time" within which the offeror can "take action" to support non-disclosure. Presumably, if the offeror does not "take action" within that "period of time," AHCCCS must disclose the records in accordance with Arizona law. Here, AHCCCS provided Accenture's one-sided legal justification

¹⁶ A Deloitte representative noted that "[t]his is one of the most redacted proposals we've seen and believe it exceeds what is legally allowed." *Id.* Deloitte's position is that, as one example, Accenture's redaction of every example of its "extensive experience" does not fall under the definition of "trade secret," and should not have been withheld from public review. *Id.*

for designating records as confidential, but AHCCCS has not demonstrated that it has complied with its policy of requiring Accenture to take action (that is, getting a protective order or some other judicial relief) such that AHCCCS is not obligated to produce unredacted records under Arizona's public records law. The State's advocating for Accenture's ability to keep from public inspection the basis of its multi-million-dollar contract award is neither transparent, nor in furtherance of AHCCCS' stated goal of being a prudent steward of taxpayer funds and resources.

Second, AHCCCS has engaged in a pattern of providing materials to Alluma and others at times that deprive it of a meaningful time to prepare or respond. For example, the AHCCCS CPO notified Alluma that it had not been selected for award on a Friday and did not make the procurement file available until that Friday afternoon. The result was that Alluma's ten days to protest included two weekends – one of which included the July 4th holiday. We know the AHCCCS CPO would not have granted an extension to protest, because it denied Deloitte's request. See Deloitte Email, **Exhibit 9**. Yet, the AHCCCS CPO unilaterally granted a 30-day extension of time to issue the Procurement Officer's Decision.

Third, it appears from public records AHCCCS has produced in response to Alluma's public records request that the AHCCCS CPO assisted Accenture in submitting its proposal, an opportunity not afforded other offerors, and certainly not afforded to Alluma. See AHCCCS CPO Letter to Accenture, attached as **Exhibit 10**. While the letters to Deloitte and Optum asked the offerors to respond to or seek clarification about the offerors' assumptions, the letter to Accenture included instructions to correct and resubmit the Offer and Acceptance form, and to remove certain statements from the transmittal letter and resubmit it. See *id*. In addition, Alluma has requested public records related to the State's communications with Accenture after contract award, because there may be additional communications and negotiations that do not comport with Arizona procurement law.

Fourth, although the Procurement Officer's Decision declaratively concludes that this solicitation is exempt from the Arizona Procurement Code and its implementing regulations, the statute itself provides otherwise. A.R.S. § 41-2501(H) provides a limited exception for AHCCCS:

The Arizona health care cost containment system administration is exempt from this chapter for provider contracts pursuant to § 36-2904, subsection A and contracts for goods and services, including program contractor contracts pursuant to title 36, chapter 29, articles 2 and 33 and contracts with regional behavioral health authorities pursuant to title 36, chapter 34. All other procurement, including contracts for the statewide administrator of the program pursuant to § 36-2903, subsection B, shall be as prescribed by this chapter [the Arizona Procurement Code].

See *id*. (emphasis added).

The RFP does not fall under any of the statute's enumerated exemptions, and thus falls within "[a]ll other procurement," subject to the Arizona Procurement Code. *Id*. AHCCCS' own implementing regulations are in accord.¹⁷ Namely, A.A.C. R9-22-601 expressly limits the Article's

¹⁷ To the Decision's point that R9-22-601(C) exempts AHCCCS wholesale from the Arizona Procurement Code, the AHCCCS CPO overlooks that AHCCCS has conducted procurements pursuant to A.R.S. § 41-2534. For example, the 2014 RFP for Data Analytics for Program Integrity and the 2015 RFP for Third Party Eligibility Verification Services.

applicability¹⁸ to contracts awarded under A.R.S. §§ 36-2904 (pre- paid capitation coverage), -2906 (qualified health plan health services contracts), and -2907 (covered health and medical services). The Procurement Officer's Decision does not establish, other than in a conclusory fashion, that the RFP for M&O of HEAplus falls into any of those enumerated categories; thus, the AHCCCS procurement and protest regulations in A.A.C. Title 9 do not apply. And, whether Alluma should have raised this issue before submitting its proposal, that the RFP did not include a citation to proper authority and did not follow the appropriate regulatory scheme in handling protests, further supports the irregularities emblematic of this procurement process.

Further, reliance on the AHCCCS regulatory scheme rather than the ADOA regulatory scheme is material. ADOA permits 30 days for an interested party to appeal from an adverse procurement officer's decision, AHCCCS permits only 5 days. ADOA permits additional review of the procurement officer's decision (so there is an actual independent review, rather than a procurement officer reviewing his or her own conduct) and provides additional process after an interested party has filed an appeal. The appropriate regulatory scheme under which AHCCCS is legally required to conduct this procurement is not something an interested party can waive before even submitting a proposal. AHCCCS should follow the applicable law and its failure to do so here was materially prejudicial to Alluma.

IV. REQUEST FOR STAY

For all the reasons set forth above, there is a reasonable probability that Alluma's Appeal will be granted, and its Protest upheld; and, consideration of Alluma's proposal is in the best interest of the State. As such, and pursuant to AHCCCS R9-22-604(F) and R2-7-A907, Alluma respectfully requests that contract implementation be stayed until its Protest is fully resolved.

V. REQUESTED RELIEF & CONCLUSION

Because the State's contract award does not comply with applicable statutes and rules, the Director should reverse the Procurement Officer's Decision, sustain the Protest, and "order an appropriate remedy." See R9-22-604; R2-7-A909. Specifically, Alluma respectfully requests that the Director award Alluma the contract. Alternatively, the Director should reissue the solicitation consistent with Arizona law.

Pursuant to R2-7-A904(B) and R9-22-604(H)(2), Alluma's proposed remedies are wholly appropriate under the circumstances:

- As articulated above, the procurement deficiencies in connection with the RFP were both material and prejudicial. Alluma's proposal was precluded even from evaluation, inconsistent with applicable procurement regulations, the Arizona Procurement Manual, and AHCCCS' own past practices. See R2-7-A904(B)(1); R9-22-604(H)(2)(a);

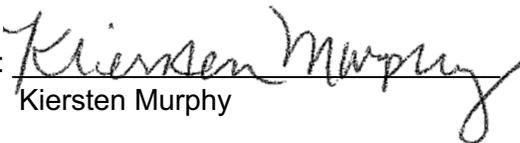
¹⁸ Although R9-22-601(C) purports to exempt the Administration from the procurement code in its entirety, that exemption extends only as far as A.R.S. § 41-2501, which specifically includes any non-enumerated procurements under the Arizona Procurement Code. A regulation cannot modify an Arizona statute. The Arizona Procurement Code applies to "every expenditure of public monies" by the State. A.R.S. § 41-2501(B).

- Although other interested parties may argue prejudice, the integrity of the procurement process would be furthered by Alluma's requested relief and a stay pending resolution of the Protest would serve the State's best interests. *Id.* at R2-7-A904(B)(2); R9-22-604(H)(2)(b);
- Alluma has acted in good faith, reviewed the procurement file for apparent errors in the procurement process, and brought this Protest only after careful consideration. *Id.* at R2-7-A904(B)(3); R9-22-604(H)(2)(c);
- To the best of Alluma's knowledge, contract performance has not yet begun. *Id.* at R2-7-A904(B)(4); R9-22-604(H)(2)(d);
- Based on Alluma's proposal and its understanding of the work required under the RFP, Alluma reasonably believes that its proposed solution would be the most advantageous to the State (meaning that its proposal represents the highest level of benefits at an accurate cost, without cost overruns or unanticipated add-ons). *Id.* at R2-7-A904(B)(5); R9-22-604(H)(2)(e) & (g);
- Alluma is not aware of any particular urgency for this procurement that would preclude staying implementation during the pendency of this Protest. *Id.* at R2-7-A904(B)(6); R9-22-604(H)(2)(f);
- Alluma believes a stay would further AHCCCS' mission, giving AHCCCS an opportunity to consider this Protest and Alluma's proposal (which will best meet with State's ultimate needs under the RFP). *Id.* at R2-7-A904(7).

Alluma therefore respectfully requests that the Director: (a) stay contract implementation; (b) reverse the AHCCCS CPO's Procurement Decision; (c) sustain the Protest; and (d) award Alluma the contract; or (e) issue a new solicitation consistent with the applicable procurement code and regulations.

Very truly yours,

HENZE COOK MURPHY, PLLC

By: 
Kiersten Murphy

Ex. 1, Alluma Appeal

June 26, 2020

THIS NOTICE WAS SENT VIA EMAIL

Robert Phillips, President and CEO
The Center to Promote Healthcare Access, Inc DBA Alluma
1951 Webster Street, 2nd Floor
Oakland, CA 94612
rphillips@alluma.org

Re: RFP YH20-0001 Results
Health e Arizona Plus Maintenance and Operations Service RFP

Dear Mr. Phillips:

Your proposal to provide the above referenced services was received and reviewed. The proposal was ultimately determined to be not susceptible for award. Please see attached determination.

Contract award was made to Accenture. This proposal will be the most advantageous to AHCCCS based on the evaluation factors set forth in the solicitation. The full procurement file may be found on our website under the solicitation documents (<https://www.azahcccs.gov/Resources/OversightOfHealthPlans/SolicitationsAndContracts/open.html>)

We have truly appreciated your partnership over the years. We encourage your response to upcoming solicitations that will be offered in the near future. Please feel free to reach out to me directly to request a vendor debrief if you are interested.

Sincerely,

Meggan LaPorte

Meggan LaPorte, MSW CPPO
AHCCCS Chief Procurement Officer
Meggan.LaPorte@azahcccs.gov
Procurement@azahcccs.gov

PROCUREMENT DETERMINATION

Solicitation Number: YH20-0001

Service: HEAplus Maintenance and Operations RFP

After careful review of the proposal submitted by The Center to Promote Healthcare Access, dba Alluma, the Chief Procurement Officer has determined that the proposal is not susceptible for award for the following reason:

1. The proposal is unreasonably high in comparison to other proposals received.
 - a. The 5 year cost submitted by Alluma for all scored portions is \$138,863,613 in comparison to the other proposals at \$36,592,728, \$41,277,318 and \$49,959,499. Alluma's proposal is 178-279% higher than the other offers received. See cost scoring methodology for description of scored portions.
 - b. The total 5 year cost submitted by Alluma for all portions, scored and not scored, is \$139,362,536 in comparison to other proposals at \$42,031,087, \$53,881,208 and \$43,540,325. Alluma's total 5 year cost proposal is between 159-232% higher than the other offers received.
 - c. Additionally, as the incumbent contractor, Alluma's offer proposes an increase of more than 35% for Maintenance and Operations costs compared to current contract expenditures for Maintenance and Operations.
2. The agency chief procurement officer also determines that prompt notification to Alluma would compromise the State's ability to negotiate with other offerors, thus this determination is confidential until date of award.

Therefore, pursuant to R9-22-602, the proposal is hereby rejected.

Signature: Signature on file

Name: Meggan LaPorte, CPPO
Title: Chief Procurement Officer
Date: March 27, 2020

Ex. 2, Alluma Appeal

July 6, 2020

VIA EMAIL (with permission)

Ms. Meggan LaPorte
Chief Procurement Officer
Arizona Health Care Cost Containment System
701 East Jefferson Street
Phoenix, Arizona 85034
meggan.laporte@azahcccs.gov
procurement@azahcccs.gov

RE: Protest of Solicitation No. YH20-0001 (Health-e Arizona Plus Maintenance and Operations Services)

Dear Ms. LaPorte:

This firm represents The Center to Promote Healthcare Access dba Alluma (“Alluma”). On March 23, 2020, Alluma timely submitted a proposal in response to the Arizona Health Care Cost Containment System’s (“AHCCCS”) Request for Proposal, Solicitation No. YH20-0001 Health-e Arizona Plus Maintenance and Operations Services (“RFP”). On June 26, 2020, AHCCCS notified Alluma that it had not been selected for award. See Notice of RFP YH20-0001 Results & Procurement Determination, attached as **Exhibit A**.¹

As part of AHCCCS’ June 26, 2020 Notice, the Chief Procurement Officer (“CPO”) included a March 27, 2020 Procurement Determination, wherein the CPO found that Alluma’s proposal was “not susceptible for award” because its “proposal is unreasonably high in comparison to other proposals received” and because “as the incumbent contractor, Alluma’s offer proposes an increase of more than 35% for Maintenance and Operations costs compared to current contract expenditures for Maintenance and Operations.” See *id.* ¶ 1. As a result of the

¹ The “procurement file” as posted on June 26, 2020 did not contain a number of public records required for Alluma to perform a full and fair analysis of the factual and legal bases for its protest. For example, Accenture’s proposal in the procurement file was heavily redacted. Alluma made a public records request for relevant records on June 26, 2020. See June 26, 2020 Public Records Request, attached as **Exhibit B**. To date, the requested records – which are required to be produced promptly in accordance with the Arizona Public Records Law, A.R.S. § 39-121, *et seq* – have not been produced. Although the CPO can and should affirm this protest on the bases articulated below, given the truncated timeframe available to protesters and the need for additional information from AHCCCS to fully prepare its protest, Alluma expressly reserves the right to supplement and/or amend this protest upon receipt and review of those public records.

Procurement Determination, the CPO excluded Alluma from evaluation of its technical proposal. The CPO did not notify Alluma of the Procurement Determination immediately (that is, at a time when Alluma could have challenged the susceptibility determination and before it was materially prejudiced by its elimination from consideration), because the CPO found, without further justification, that “prompt notification of Alluma would compromise the State’s ability to negotiate with other offerors.” *Id.* ¶ 2.

This letter constitutes Alluma’s timely protest of the CPO’s Procurement Determination and the State’s contract award.² See A.R.S. § 36-2906;³ Arizona Administrative Code (“A.A.C.”) R9-22-604; see also R2-7-A901(A). Pursuant to A.A.C. R9-22-604(C)(2) & R2-7-A901(B), the interested party submitting this protest, along with its pertinent contact information, is as follows:

The Center to Promote HealthCare Access dba Alluma (“Alluma”)

Attn: Robert Phillips
President & Chief Executive Officer
1951 Webster St f2
Oakland, CA 94612
(510) 844-2291
rphillips@alluma.org

For all the reasons discussed below, including that Alluma was improperly excluded from evaluation and that Alluma’s offer presents the proposal most advantageous to the State, we respectfully request that AHCCCS: (a) sustain the protest; (b) award Alluma the contract; or (c) issue a new solicitation consistent with the applicable procurement code and regulations. See A.A.C. R9-22-604(H)(3) & R2-7-A904(A) & (B).

As set forth more fully below, Alluma further requests that AHCCCS stay implementation of the contract pending resolution of this protest. See R9-22-604(E) & R2-7-A902.

I. BACKGROUND

Alluma offered unparalleled credentials in meeting and exceeding the RFP’s mandatory requirements and stated purpose. Over the course of more than eighteen years, Alluma has served as a strong and enduring partner for the State of Arizona. It is this sense of partnership, a commitment to doing the right thing for Arizonans, and Alluma’s long-term successful delivery experience for Arizona that compel Alluma to stand up and challenge this procurement process.

There is simply no other organization that knows HEAplus as acutely; understands the Arizona cross-integration programs more deeply; offers a wider integration array of verifications

² Alluma incorporates its proposal and the procurement file posted on June 26, 2020 by this reference.

³ As discussed further below, the RFP purports to have been issued pursuant to A.R.S. § 36-2906 (“Qualified health plan health services contracts”). It appears, however, that this procurement may be subject to, and not exempt from, the Arizona Procurement Code and its implementing regulations. See A.R.S. § 41-2501 (listing the specific AHCCCS contracts exempt from the procurement code and providing that “[a]ll other procurement . . . shall be as prescribed by this chapter”); see also R9-22-601 (limiting the Article’s applicability to contracts awarded under A.R.S. §§ 36-2904 (pre-paid capitation coverage), -2906 (qualified health plan health services contracts), & -2907 (covered health and medical services)). As such, and in an abundance of caution, Alluma cites procurement regulations from both AHCCCS and the Arizona Department of Administration (“ADOA”).

that affords Arizonans and State workers to automatically adjudicate Eligibility & Enrollment (“E&E”) for HEAplus programs; knows the CMS and FFM guidelines, rules, and requirements more intimately; operates as robust an automated adjudication program (that has saved Arizona millions of dollars); has as strong a MARS-E security program (made more complex in Arizona’s integration array that requires additional oversight and management); or has served as strong a partner to Arizona to expand Kidscare, incorporate ALTCS, process millions of automated renewals, and more.

And yet, Alluma was improperly eliminated from consideration to provide HEAplus Maintenance and Operations (“M&O”) services for Arizona because the CPO determined at the outset of this procurement process, and without even considering Alluma’s technical proposal, that Alluma’s price (the *least* important evaluation criterion) was too high relative to others’. Of course, other offerors had the opportunity to explain their proposals *and* to adjust their cost proposals through presentations and the Best and Final Offer (“BAFO”) process, an opportunity arbitrarily and unfairly denied to Alluma in violation of applicable procurement law and regulations.

Had Alluma been provided the opportunity to participate fully in the procurement process, Alluma is confident that its experience, methods, and contributions, fully aligned with its mission and the RFP’s purpose, made Alluma unique among offerors responding to the RFP and, ultimately, made Alluma the offeror most advantageous to the State of Arizona.

A. The RFP.

The RFP’s stated purpose was clear: to “solicit proposals from Offerors experienced in maintaining, operating, and enhancing highly-integrated (multiple eligibility programs) Affordable Care Act (ACA)/Medicaid Eligibility and Enrollment systems.” To that end, contractors were required to have:

- “a minimum of (5) years of recent experience in maintaining, operating, and enhancing a highly-integrated ACA/Medicaid Eligibility and Enrollment (E&E) systems;” and
- an “adequate understanding and background in maintaining and operating FFM E&E systems at the State-level and as such will not require any training and minimal time to familiarize themselves with the applicable Federal policies and procedures related to E&E systems.”

See RFP, Scope of Work ¶ 5. Offerors’ proposals were to be evaluated based upon four evaluation criteria, listed in their relative order of importance. Those criteria, including their respective point values out of 1,000 available points, were as follows:

- **Adherence to Mandatory Requirements - Pass/Fail:** “If the Offeror clearly [sic] does not meet minimum mandatory requirements pursuant to the solicitation, as determined by the Chief Procurement Office, the proposal will be determined to be non susceptible for award and will not be scored.” See Scoring Methodology, attached as **Exhibit C.**
- **Experience/Expertise (475 Points):** “Submission requirements considered in this category include the Offerors’ narrative of their experience and expertise including the company history and background, key staff and information presented and discussed during the Offeror’s demonstration of its solution.” *Id.*

- **Methodology (275 Points):** “Submission requirements considered in this category include the Offeror’s narrative of its proposed methodology to carry out the scope, ability to agree to the technical requirements listed in the solicitation and additional scope of work and information presented and discussed during the offeror’s demonstration of its solution.” *Id.*
- **Cost (250 Points):** “The RFP requires the Offerors to submit a total proposed solution price for the entire 5 year contract period. The total 5 year cost for the purposes of evaluation in this category will be a combined total of the price proposed [sic] for Maintenance, Operations and Transition Activities (excluding disengagement costs). This price will be compared by a relative scaled score. (Lowest Price/Price Offered) * Max Points = Awarded Points.”⁴ *Id.*

See also RFP, Special Instructions to Offerors ¶ 3; Executive Summary, attached as **Exhibit D**.

There is no company better aligned with the RFP’s mandatory requirements and purpose than Alluma. The breadth and depth of Alluma’s experience with “ACA/Medicaid Eligibility and Enrollment (E&E) systems” and its more than “adequate understanding and background in maintaining and operating FFM E&E systems at the State-level” are unequalled. Alluma’s proposal in response to the RFP presented the best, most comprehensive solution to meet the State’s mandatory requirements and its stated purpose. At a very minimum, the architect of HEAplus should have been fully and fairly considered and scored by the evaluation committee.

B. Alluma’s Experience & Partnership with the State of Arizona is Unmatched.

Alluma is a non-profit organization whose mission is to improve access to benefits that support people in need. Indeed, Alluma has supported the State of Arizona with its E&E systems since 2002. That support has resulted in a highly integrated breadth of programs, including Medicaid, SNAP, TANF, CRS, ALTCS, Kidscare, local health programs, and more. In addition to providing systems and other supports via this cross-program integration, Alluma has also helped Arizona develop an extensive array of electronic integrations, including data exchanges with:

Federal Exchange Partners:

- US Department of Health and Human Services, Center for Medicaid and Medicare Services (DHHS, CMS) operated Federally Facilitated Marketplace (FFM)
- Verify Current Income
- Verify Lawful Presence
- SSA Composite
- Minimum Essential Coverage Check
- Periodic Medical Coverage Verification
- Renewal and Redetermination Verification Service
- US Social Security Administration

⁴ Offerors were asked to submit proposals on certain cost elements that would not be assigned a point value, but that would be “discussed.” Those elements include: Disengagement Costs, Online Management System Costs, Reporting Region Costs, and Automated Testing Tool Costs. See **Exhibit C**, Scoring Methodology.

- US Department of Homeland Security
- US Food and Nutrition Services Electronic Disqualified Recipient System

State Exchange Partners:

- Arizona Health Care Cost Containment System
 - PMMIS
 - Input Processor
 - Postback
 - Duplicate Check
 - ALTCS files (10)
 - On-line lookups (16 methods)
 - Premium Billing
 - WAVES
- Arizona State Retirement System
- Arizona Division of Employment and Rehabilitative Services (DERS)
 - Base Wage System
 - Unemployment System
- Arizona Division of Developmental Disabilities
- Arizona Division of Benefits and Medical Eligibility
 - AZTECS
 - TIPS
 - CIFS
 - Onbase
- Department of Child Safety
- Arizona Department of Motor Vehicles
- Arizona Voter Registration
- Arizona Vital Records

Private and Public Partnership

- Equifax (also known as The WorkNumber or TALX) Income Verification System
- Public Assistance Reporting Information System (PARIS)
- Arizona Local Health Care Systems
- UPS Address Verification Services
- Electronic Asset Verification Services

These well-established HEAplus integrations are just a few examples of the complex integration array of real-time and batch processes that serve as the backbone of HEAplus, and which have led CMS to use HEAplus as a best practice in the area of integrations.

Alluma's role in shaping and driving the Affordable Care Act ("ACA") was extensive. Alluma helped draft the ACA, Section 1561, Health Information Technology Enrollment Standards and Protocols. Once the law was passed, Alluma was asked to work for the Office of the National Coordinator (US DHHS ONC) to coordinate the policy and implementation statements guiding the system development for ACA E&E systems. This work became the foundation for the CMS published document, "Guidance for Exchange and Medicaid Information Technology (IT) Systems." This document was first published by CMS in November 2010 and has served as the

basis for all state E&E systems across the United States who have received CMS financial assistance, as well as the Federal Data Services Hub operated by CMS FFM.

Subsequent to this ground-breaking work, the Arizona Governor's Office asked Alluma to assist the State with its ACA response and to enhance Health-e-Arizona to meet the ACA requirements. The resultant solution became known as HEAplus. Alluma has successfully provided M&O services for HEAplus since. In addition to these base services, at the State's request and direction, Alluma has continuously enhanced HEAplus to respond to the State's requirements, expand program and service needs, and provide improved E&E support to Arizonans. The Alluma team has proudly served Arizona since Health-e-Arizona's (HEA) launch in 2002, stepped up to many daunting challenges and achieved milestone after milestone, including the successful implementation of HEAplus in 2013 when many other states saw their ACA projects fail. CMS has continued to recognize the Arizona operation as exemplary and one to which other states should look for guidance.

Alluma's work with the State over the years has been unquestionably successful, as evidenced by AHCCCS' own recent touting of HEAplus:

HEAplus provides an online system for consumers, eligibility workers, and community assistors. The system supports eligibility determinations and ongoing case management for State programs, including: Medicaid, Children's Health Insurance Program (CHIP) (known as KidsCare in Arizona), Medicare Savings Program (MSP), Arizona Long-Term Care System (ALTCS), Supplemental Nutrition Assistance Programs (SNAP), Temporary Assistance for Needy Families (TANF), and Arizona's MyFamilyBenefits (Electronic Benefits Transfer [EBT] Portal).

Since its launch in October 2013, the Health-e-Arizona Plus (HEAplus) online eligibility system, jointly developed by the Arizona Health Care Cost Containment System (AHCCCS) and Arizona Department of Economic Security (DES), has undergone several system and user experience improvements. Combined, these improvements have eliminated manual staff processing time, increased the timeliness of eligibility determinations, and improved customer satisfaction.

- System automation has reduced the number of manual communication documents by 1.3 million between 2016 and 2018, creating an estimated savings of more than 110,000 hours of state employee time.
- More than 69 percent of HEAplus applications are submitted by the applicants themselves, community assistors, or other non-state employees.
- In 2019, 88 percent of eligibility renewals were entirely automated.
- More than 83 percent of users say HEAplus is "very easy or easy" to use.
- The Centers for Medicare and Medicaid Services (CMS) rated HEAplus in the top 3 percent of Medicaid eligibility systems in the nation.

See July 1, 2020 Press Release, "AHCCCS Awards 5-Year Contract for HEAplus Eligibility System Maintenance and Operations," attached as **Exhibit E**. AHCCCS' and DES' success was accomplished in direct partnership with Alluma. Alluma brought its breadth and depth of experience to its RFP proposal, meeting and exceeding the RFP's mandatory requirements and objectives.

No offeror is better positioned than Alluma to partner with the State going forward to maintain and operate the exceedingly complex HEAplus system. The effectiveness and proven nature of Alluma's M&O approaches and methodologies is supported by a rock-solid foundation in:

- Arizona's policies and programs
- CMS and FFM's policies and programs
- Goals for automated Medicaid, SNAP and TANF eligibility
- The fundamentals and nuances of how HEAplus fits within Arizona's entire benefits operations
- A privacy and security program that fully embraces MARS-E
- Tried and true project management principles informed by history
- A DevOps culture to introduce automation wherever feasible

In addition, Alluma is helping Arizona drive HEAplus to the cloud to take advantage of the cloud offerings and reduce reliance on premise infrastructures. This cloud transition is underway and is expected to be fully transitioned as an IAAS implementation by the end of 2020. While conducting the HEAplus cloud proof of concept ("POC") project in the fall of 2019, Alluma cultivated a partnership with the Microsoft Technology for Social Impact group who, like Alluma, are committed to the digital transformation for maximum positive impact on social issues, such as access to benefits that improve life quality. This partnership is only available to non-profits like Alluma and has reinforced Alluma's recommended plan and approach to the HEAplus cloud migration, as well as the path toward what Alluma already believed possible: the continued advancement of HEAplus once in the cloud.

For the transition to the cloud and this HEAplus M&O project, Alluma planned to leverage partnerships with Microsoft, which provides direct access to technical support, skilled specialized resources, and consulting assistance; and Cognosante, who has delivered governance, planning, migration, operations, and evolution to Azure-hosted complex workloads. Alluma's proposed approach also took into account the expanding nature of skills and expertise required to continue to support the HEAplus solution well into the future.

Alluma's local presence demonstrates a firm commitment to Arizona and is tantamount to the M&O approach. Alluma maintains an office in downtown Phoenix, where Alluma houses its Arizona Onsite Team. Alluma's onsite team of implementation specialists is the touchpoint for the State's SMEs and analysts. This team is dedicated and 100% committed to the HEAplus operation and its success, and is the glue that bonds Alluma's analysts, architects, technical managers, and developers in Sacramento to the State's HEAplus goals and objectives.

Though this is an M&O contract, because of our non-profit mission, the Alluma Team is now and will continue to charge forward to:

- Put more power in the hands of Arizona consumers (*i.e.* customers) by applying more human centered design ("HCD") principles and responsive design to the application
- Expand automated verification capabilities while navigating the intricacies of eligibility
- Add more capabilities that enable consumers and workers to do more with less time and effort

- Collaborate with the State to expand and accelerate automated test capabilities to better leverage expert resources
- Seek every opportunity to automate
- Seize moments like this unprecedented COVID-19 situation to add even greater configurability enabling the State to act quickly.

Alluma offered strong and proven capabilities to Arizona. Alluma has supported the State in various roles over more than eighteen years and has a deep understanding of HEAplus, FFM, E&E and the population it serves. Alluma has appreciated the State's partnership and was looking forward to continuing this relationship during the next phase of HEAplus.

II. LEGAL & FACTUAL BASIS OF ALLUMA'S PROTEST

But for the CPO's decision to exclude Alluma from consideration as "not susceptible for award," Alluma is confident it would have been awarded the contract in accordance with the RFP's evaluation criteria. Because the CPO's decision ran afoul of the applicable procurement regulations, the RFP, and AHCCCS' own past practices, Alluma respectfully requests that the CPO reverse the "not susceptible" determination, affirm the protest, and award the contract to Alluma; alternatively, Alluma requests that the CPO affirm the protest and reissue the solicitation.

A. Lack of Transparency in the Procurement File.

After receiving notice that it was not selected for award, Alluma reviewed the posted procurement file and immediately made a request for public records. See Public Records Request, at **Exhibit B**. The procurement file did not include a host of materials relevant to Alluma's evaluation of the legal and factual bases of its protest. For example, Accenture's proposal was so heavily redacted, without explanation, that Alluma was unable to evaluate the propriety of the State's evaluation and award decision. For any interested party protesting a contract award, the successful contract awardee's proposal – unredacted – is a critical piece of information, necessary to evaluate and develop the factual and legal bases of a protest. To date, AHCCCS has not provided Accenture's unredacted proposal, or any records beyond the limited procurement file.

Further, the Procurement Determination excluding Alluma from consideration may have relied improperly on records outside the scope of the submitted procurement materials. Indeed, the CPO appears to have penalized Alluma as the incumbent by accessing historical records from outside the RFP, the evaluation criteria, and Alluma's submitted proposal: "as the incumbent contractor, Alluma's offer proposes an increase of more than 35% for Maintenance and Operations costs compared to current contract expenditures for Maintenance and Operations." See Notice, attached as **Exhibit A**. As part of its public records request, Alluma sought all records upon which the CPO relied in making the determination that Alluma's proposed price was higher than its current M&O expenses.

Additionally, AHCCCS' July 1, 2020 Press Release provides that "[t]he contract award is \$39 million over five years for maintenance and operations of the system, *and \$82 million over five years for new development and infrastructure that may occur over the term of the contract*, for a total award of \$121 million." See Press Release, at **Exhibit E** (emphasis added). Based on the press release, it appears that at least a portion of the ultimate contract award to Accenture was not subject to a public procurement process in accordance with Arizona law. Neither the procurement file nor the RFP contain information supporting an additional \$82 million award to Accenture, beyond the \$39 million awarded for M&O services. Other than a vague reference in

the Scoring Methodology to “additional scope of work and information presented and discussed during the offeror’s demonstration of its solution,” there is no apparent request in the RFP itself for “new development and infrastructure that may occur” over the contract’s term, nor were offerors’ asked to provide a cost proposal for new development and infrastructure. Alluma has requested public records related to the contract award for “new development and infrastructure” and will supplement this protest as appropriate. If the additional \$82 million awarded under the contract was not identified in the RFP, not publicly bid in accordance with the Arizona Procurement Code, or was based on an evaluation of factors outside the RFP, the contract award cannot be permitted to stand.

Alluma’s public records request identifies several categories of records that must be provided under Arizona’s Public Records Law, A.R.S. § 39-121, *et seq*, and that are critical to Alluma’s ability meaningfully to develop its protest. Because Alluma has not received any response or records to-date, Alluma reserves the right to supplement this protest as those records are made available.

B. The RFP Appears to Rely on the Incorrect Procurement Authority.

The RFP provides that it is issued “[i]n accordance with A.R.S. § 36-2906,” RFP at p.1, and that protests are to be resolved pursuant to the same statute, *see id.* at Uniform Instructions to Offerors ¶ 7, at p. 40. Section 36-2906 applies to “qualified health plan health services contracts,” and not to the M&O services for E&E systems procured under the instant RFP. It appears, therefore, that AHCCCS did not have authority to issue this RFP pursuant to § 36-2906. Instead, this procurement is subject to, and not exempt from, the Arizona Procurement Code and its implementing regulations. *See* A.R.S. § 41-2501(H). That section provides:

The Arizona health care cost containment system administration is exempt from this chapter for provider contracts pursuant to § 36-2904, subsection A and contracts for goods and services, including program contractor contracts pursuant to title 36, chapter 29, articles 2 and 33 and contracts with regional behavioral health authorities pursuant to title 36, chapter 34. All other procurement, including contracts for the statewide administrator of the program pursuant to § 36-2903, subsection B, shall be as prescribed by this chapter [the Arizona Procurement Code].

See id. (emphasis added). The RFP does not fall under any of the statute’s enumerated exemptions, and thus falls within “[a]ll other procurement,” subject to the Arizona Procurement Code. *Id.* AHCCCS’ own implementing regulations are in accord. Namely, A.A.C. R9-22-601 expressly limits the Article’s applicability⁵ to contracts awarded under A.R.S. §§ 36-2904 (pre-paid capitation coverage), -2906 (qualified health plan health services contracts), and -2907 (covered health and medical services). The RFP for M&O of HEAplus does not fall into any of those enumerated categories; thus, the AHCCCS procurement and protest regulations in A.A.C. Title 9 do not apply.

⁵ Although R9-22-601(C) purports to exempt the Administration from the procurement code, that exemption extends only as far as A.R.S. § 41-2501, which specifically includes any non-enumerated procurements under the Arizona Procurement Code. The Arizona Procurement Code applies to “every expenditure of public monies” by the State. A.R.S. § 41-2501(B).

AHCCCS' reliance on the incorrect statutory authority in issuing the RFP, and the CPO's reliance (in the Procurement Determination and elsewhere) on inapplicable procurement regulations in A.A.C. Title 9, would alone be sufficient to sustain the protest and reissue the RFP. In any event, and in an abundance of caution, Alluma will cite procurement regulations from both AHCCCS and ADOA to ensure its protest is fully considered and is consistent with Arizona law.

C. The Procurement Determination that Alluma Was "Not Susceptible for Award" Violates Applicable Law.

Whether Alluma's protest is more properly considered under AHCCCS' procurement regulations or under the Arizona Procurement Code and regulations, the Procurement Determination excluding Alluma from evaluation violated applicable law.

1. *The Procurement Determination Violated AHCCCS' Procurement Regulations.*

AHCCCS' procurement regulations permit rejection of a proposal in only two circumstances: (1) "The Administration may reject an offeror's proposal if the offeror fails to supply the information requested by the Administration," A.A.C. R9-22-602(C)(1); and (2) "If the Administration determines that it is in the best interest of the state," *id.* R9-22-602(C)(4). The AHCCCS procurement regulations do not permit rejection of a proposal because the CPO determines it is "not susceptible" for award or because a proposal's cost is "unreasonably high" compared to other proposals received.

There is no suggestion in the procurement file that Alluma failed to supply information requested by AHCCCS. Further, the CPO did not make a determination that rejecting Alluma's proposal prior to evaluation was "in the best interest of the state." The only reason set forth in the Procurement Determination for rejecting Alluma's proposal was the CPO's determination that "the proposal is not susceptible for award," not that rejecting the proposal was in the best interest of the State. And, in fact, excluding Alluma from consideration prior to evaluation based on the *least important evaluation criterion* was not in the best interest of the State. By stripping the evaluation committee of the ability to evaluate the technical aspects of Alluma's proposal – the parts of the proposal that were, by definition, most important to the State – the CPO's Procurement Determination ran afoul of R9-22-602(C)(4). Because the CPO did not make a "determination" that rejection of Alluma's proposal was in the State's best interest, the CPO had no authority under R9-22-604 to reject Alluma's proposal and Alluma's protest must be sustained.

Further, AHCCCS' regulations require that, for responsive and responsible offerors (of which Alluma was unquestionably one), "[t]he Administration shall provide an offeror fair treatment with respect to discussion and revision of a proposal." R9-22-602(B)(3). Here, the CPO initiated discussions and negotiations with all offerors *except* Alluma. The CPO's Procurement Determination, rejecting Alluma's proposal prior to evaluation and excluding Alluma (a responsive and responsible offeror) from any discussion or negotiation, failed to provide Alluma the requisite fair treatment in violation of R9-22-602(B)(3).

AHCCCS' own "Scoring Methodology," developed in advance of AHCCCS' receipt of proposals, supports that a pre-evaluation susceptibility determination based on cost was not within the evaluators' or the CPO's contemplation, and arose as an improper, additional requirement to the RFP only *after* proposals were submitted. See Scoring Methodology, attached as **Exhibit C.** Specifically, the Scoring Methodology provided that a susceptibility determination would be made – but *only* based on each offeror's ability to meet the RFP's pass/fail mandatory requirements. There was no provision in the Scoring Methodology for an initial susceptibility

determination at the pre-evaluation stage based on cost. There were no parameters surrounding cost in the RFP (no maximum costs or disclosure that cost would be a pre-qualification factor), other than the fact that price was the least important evaluation criterion. The decision to exclude Alluma based on cost was an after-the-fact, unilateral decision by the CPO, without consultation from the evaluation committee's technical experts.

2. The Procurement Determination Violated the Arizona Procurement Code & ADOA's Procurement Regulations.

ADOA's procurement regulations contain a presumption in favor of including proposals in the full evaluation, and permit a determination that a proposal is not susceptible for award in only three limited circumstances: (1) if the proposal fails to meet a mandatory solicitation requirement; (2) if the offer fails to comply with susceptibility criteria identified in the RFP; or (3) if "the offer is not susceptible for award in comparison to other offers based on the criteria set forth in the solicitation. When there is doubt as to whether an offer is susceptible for award, the offer should be included for further consideration." R2-7-C311 (emphasis added). Any specific susceptibility criteria must have been included in the RFP itself. R2-7-C301(f).

As to the first two bases, Alluma agreed to each and every one of the RFP's mandatory requirements. Other than the RFP's pass/fail component, there were no additional susceptibility requirements (e.g., cost) identified in the RFP. Critically, even the third basis on which a procurement officer can exclude an offer from further consideration requires that the determination be made "based on the criteria set forth in the solicitation." Here, Alluma was determined to be "not susceptible" for award based *not* on the "criteria" in the solicitation, but on a single criterion that carried the lowest point total (just 250 points, or 25% of the total points available).

There is no mathematical way the CPO could have determined that Alluma would not be susceptible for award in comparison to others based on the least important criterion, when the evaluation of the most important evaluation criteria (750 points, or 75% of the total points available) had not yet been determined. Even if the CPO believed Alluma *might* not be susceptible for award (a decision that would have been at most speculative given the posture of the procurement process at the time the Procurement Determination was made) the procurement regulations require that Alluma's offer should have been included for further consideration. By eliminating Alluma at the earliest stages of this procurement process, the CPO failed to make a determination based on the evaluation criteria and failed to abide by the regulation's strong presumption in favor of the proposal's further consideration.

The Arizona Procurement Manual ("Manual") further highlights the substantial error in the CPO's Procurement Determination without first scoring Alluma's cost and evaluating its technical proposal. The Manual provides guidance regarding the appropriate evaluation of proposals, which typically consist of three steps:

- Administrative review of prequalification criteria (optional);
- Technical evaluation – An examination of the non-cost elements that were not considered during the administrative review, such as the functional specifications (e.g. hardware requirements, scheduling); and
- Cost evaluation – A comparison of the price proposed (and, at the agency's option, other costs of the project) to the prices and costs of other competing proposals.

See Manual at § 6.5. The Manual contemplates that the technical proposal should be evaluated separately from the cost portion of the proposal:

Technical Proposal Review Team – This team is typically comprised of program and technical experts, and may conduct its evaluation under the direction of a team leader (most commonly the procurement officer). The team is responsible for all aspects of the evaluation of the technical proposal. This may include review of vendor qualifications, such as the number of past projects performed of a similar size and scope, and proposed personnel resources, such as staff capacity. Depending on the nature of the RFP, the team may also be responsible to perform such activities as benchmark tests, site visits, and reference checks.

Cost Proposal Review Team – The cost proposal review team is typically comprised of one individual (usually the procurement officer), but may be a team of people, responsible for evaluating and scoring the cost proposals submitted in response to the RFP. The cost team works under the direction of the procurement officer.

NOTE: While it may be necessary for the cost team to obtain technical information to clarify the association between costs and technical components, the technical evaluators must not be provided with the proposed costs until after their evaluation is complete.

Id. § 6.6.1. While the technical proposal must be evaluated in accordance with the RFP's stated evaluation criteria in their relative order of importance, the Manual recommends that cost be evaluated and scored by a formula ((Lowest Price/Price Offered) * Max Points = Awarded Points).

Here, the CPO failed entirely to follow the Manual with respect to Alluma. First, the CPO did not even score Alluma's proposal using the cost formula set forth in the Manual and the Scoring Methodology applicable to this RFP. The decision to exclude Alluma was based, instead, on the percentage difference between Alluma's proposed cost and other offerors' proposed costs with no regard for the technical portion of Alluma's proposal. That method (using raw cost scores and percentage differences) was never disclosed to the offerors and was inconsistent with the Scoring Methodology adopted for this very procurement.

Further, the CPO did not permit the evaluation committee to review or score Alluma's technical proposal separate from its cost, as provided by Manual § 6.5 and § 6.6.1. The Manual contemplates that an offeror's cost proposal should not interfere with the technical evaluation – although technical evaluators may need to assess the relationship between cost and technical components. This separation of technical evaluation versus cost evaluation is plainly intended to prevent the technical evaluators from being influenced by an offeror's cost offering. And the Manual clearly contemplates that the *combined* scores should result in the best value for the State (as opposed to just the lowest cost, as would result from an Invitation for Bids).

Here, rather than allow that process to proceed without unnecessary interference, the CPO removed Alluma from being considered for evaluation because the CPO arbitrarily used the raw cost numbers (not the cost formula) to reject Alluma's proposal. That decision was contrary to Arizona law, and did not result in the State achieving a contract award in its best interest.

///

3. *The Procurement Determination Failed to Evaluate Alluma's Proposal in Accordance with the Evaluation Criteria.*

Whether AHCCCS' procurement code or the Arizona Procurement Code and regulations govern this procurement process, there is no question but that this procurement was bound by a fundamental procurement principle that each proposal was required to be evaluated in accordance with the RFP's stated evaluation criteria, in their relative order of importance. See e.g., RFP, Special Instructions to Offerors, ¶ 3, at p.41 ("evaluation factors are listed in their relative order of importance"); R9-22-602(2) ("The Administration shall evaluate a proposal based on the . . . evaluation factors listed in the RFP."); R2-7-C301(C)(h); R2-7-C316(A) (procurement officer "shall evaluate offers and best and final offers based on the evaluation criteria listed in the request for proposals" and "shall not modify evaluation criteria or their relative order of importance after offer due date and time").

The Procurement Determination, by excluding Alluma based on the least important evaluation criterion – without evaluating the substantive elements of its technical proposal – made "price" the only, and therefore the most important, evaluation criterion with respect to Alluma. The Procurement Determination did not result in Alluma's proposal being evaluated "based on the evaluation criteria listed in the request for proposals" and amounted to an impermissible modification of the relative order of the evaluation criteria's importance.

Because the Procurement Determination is directly contrary to both the RFP and Arizona law on a fundamental precept of public procurement, the CPO should sustain this protest.⁶

4. *The Procurement Determination is Inconsistent With AHCCCS' Past Practice.*

Further demonstrating the arbitrary nature of the Procurement Determination, the determination is wholly inconsistent with AHCCCS' past practice. Indeed, AHCCCS has considered proposals that have a *much* higher price differential in the past without finding them "not susceptible" for award. As just one example, in 2019 AHCCCS issued an RFP for AHCCCS Works Portal. AHCCCS received ten proposals in response to the RFP. AHCCCS scored each of the ten proposals after a full evaluation, regardless of the price differential between the offerors' cost proposals. See BAFO Scoring Summary, YH19-0028, attached as **Exhibit F**.

Accenture's proposal (for \$16.8 million) was more than **442%** higher than the lowest cost evaluated option by SIS/Alluma (for \$4.4 million). Accenture's cost proposal received 57 points out of 250, yet Accenture was not deemed "not susceptible for award." Deloitte also received a cost score of 57 out of 250, yet Deloitte was not deemed "not susceptible for award." In fact, both Accenture and Deloitte were invited to present a demonstration of their proposed solutions. In this RFP, Alluma's pre-BAFO cost proposal was at most 279% higher than the lowest offer. Had Alluma's cost proposal been scored in response to this RFP it would have received 66 points out of 250. Yet, Alluma was arbitrarily deemed "not susceptible for award."

Another vendor, RCR Technologies, received only 25 points out of 250. Although RCR Technologies ultimately was not asked to participate in a demonstration, its proposal was not

⁶ In addition, if the CPO relied on materials outside the scope of the RFP and Alluma's proposal in determining that Alluma was not susceptible for award (as it appears from the face of the Procurement Determination, ¶ 1(c)), that consideration impermissibly added an additional evaluation criterion to the RFP and is a separate basis for sustaining this protest. Alluma has requested the records on which the CPO relied in making this determination.

rejected as not susceptible for award based only on cost, and its technical proposal was fully evaluated. The AHCCCS Works Portal Scoring Summary demonstrates that even proposals with low cost scores were fully susceptible for award based on their technical proposals (Accenture and Deloitte were in the top four point-scorers, notwithstanding their relatively low-cost scores).

Because AHCCCS' own past practice supports full evaluation of proposals regardless of price differential, and because the AHCCCS Works Portal Scoring Summary demonstrates that even a 442% price differential does not take a proposal outside the susceptibility range, the Procurement Determination in this procurement was arbitrary and an abuse of discretion. Alluma's proposal in response to this RFP was susceptible for award (and was certainly more susceptible than Accenture's and Deloitte's fully scored proposals in the AHCCCS Works Portal procurement). Had Alluma been permitted to participate – as Accenture and Deloitte were in the AHCCCS Works Portal proposal – Alluma would have attained the highest score, and should have been awarded the contract.

D. The CPO Incorrectly Found That Alluma's Offer Was Not Susceptible for Award.

The Procurement Determination was made only three days after the proposal submission deadline, before Alluma's cost proposal was scored using the Scoring Methodology's chosen formula, and before any proposal's technical elements were evaluated or scored. Even if a susceptibility determination related to cost would have comported with Arizona law (and for all the reasons set forth above it unquestionably did not), there simply was no way to determine susceptibility at the earliest stage of this procurement. The AHCCCS Works Portal RFP and resulting scores prove that point – substantial price differentials were immaterial in determining susceptibility for award (not unexpected, given that price was the least important evaluation criterion), and proposals (Accenture and Deloitte) with prices 442% higher than their competitors' received among the highest point totals.

1. Alluma's Proposal Best Met the RFP's Most Important Evaluation Criteria.

Here, at the outset of the procurement process, based on the least important evaluation criterion (which accounted for just 25% of the total points) the CPO unilaterally rejected Alluma's proposal. At no point did the CPO ask Alluma a single clarification question, nor did the CPO submit the proposal to subject matter experts for their evaluation. And, while other offerors were given the chance to negotiate their proposals and revise their costs in BAFOs (and were then scored accordingly) – Alluma was not. Had the State considered Alluma's proposal, even with the original price score included, Alluma would certainly have been within a range warranting negotiations and would have been at the very least susceptible for award, if not the successful contract awardee.

Based on the substance of Alluma's proposal, it is reasonable (even conservative) to expect that Alluma's score for Experience/Expertise, the most important evaluation factor, would have been 90% or more of the possible 475 points (that is, 427.5 points). Alluma's experience and expertise exceeded the RFP's required minimums and, critically, is specific to the HEAPlus solution and operations that AHCCCS and CMS recognize as tremendously successful. It is also reasonable to expect that Alluma's score for Methodology would have been 90% or more of the possible 275 points (that is, 247.5 points), as the M&O program in place today, and upon which the RFP Scope of Work requirements were based, was developed in partnership with, and often led by, the Alluma team. In addition, Alluma's approach to and readiness for the new requirements is informed by its intimate knowledge of and plans to reuse and leverage past and present artifacts and processes, many of which have been approved by DHHS/CMS, AHCCCS and DES.

Even after negotiations and BAFOs, Accenture’s score for Experience/Expertise was just 56% of the possible 475 points (266 points). And its score for Methodology was just 64% of the possible 275 points (176 points). See Detailed Scoring, attached as **Exhibit G**. These are not strong scores by any measure, and certainly should have raised red flags about the feasibility of Accenture’s cost proposal. Combined, the Accenture proposal scored fewer than 60% of the 750 allowed points for the most important evaluation criteria, Experience/Expertise and Methodology.

Alluma’s pre-BAFO score for price would have been 66 points, based on the initial price bid and using the Scoring Methodology formula. Even so, Alluma’s point total would have exceeded Accenture’s without even achieving the 90% scores in the more important categories. Namely, with a pre-BAFO score of 66 points for price, Alluma would have needed to achieve only 83.5% of the 750 points (or 626 points) allowed for Experience/Expertise and Methodology to have scored higher than Accenture (692 points versus Accenture’s 691). Alluma believes its proposal reasonably would have scored enough points for Experience/Expertise and Methodology, which would have resulted in a total award of 741 (the highest point score by 50 points). In any event, what is clear is that Alluma was susceptible for award and should have been evaluated and scored, not arbitrarily removed from the procurement process as “not susceptible.”

	Max Points	Accenture (59.3%)	Alluma (83.5%)	Alluma (90%)
Experience/Expertise, and Methodology	750	445	626	675
Price	250	246	66	66
TOTAL SCORE	1000	691	692	741

A few examples taken from AHCCCS’ own Strengths & Weaknesses Report illustrate the strength of Alluma’s proposal, both against the scoring criteria and as compared to the successful offeror’s proposal:

Experience/ Expertise	Accenture Score out of 5	Strengths	Weaknesses
MARS-E Compliant Systems (achievement of compliance, annual audit, ethical hacking)	3	Detailed 5 step process to achieve MARS-E compliance. Has successfully helped all its clients through the Authority to Connect (ATC)/Authorization to Operate (ATO) process that includes ATC/ATO for the Federally Facilitated Marketplace. Key security staff is a certified ethical hacker.	Proposal did not describe the use of third party ethical hackers.

Alluma’s Proposal: As set forth in Alluma’s proposal: “CMS, the regulating entity requiring MARS-E compliance, has told Arizona that the HEAplus security program is in the top 3% of States that CMS oversees for Medicaid. CMS awarded Arizona an unsolicited three-year Authority to Connect (ATC), which CMS awarded to only two other states.” See Alluma Proposal, B1 Narrative Experience/Expertise, at p.6.

Alluma’s proposal detailed the following components of the HEAplus MARS-E security program:

- Robust program of continuous self-Auditing
- Annual audits:
 - Secure Organization Control (SOC), and Security Assessment Report (SAR) audits
- Third Party Reviews – ‘conducted by independent, third-party contractors, approved by Arizona, CMS, SSA, FNS or others, who are qualified by the federal government to perform assessments on solutions like HEAplus that access federal information’
- Internal as well as external penetration tests and security vulnerability assessments
- Ethical hacking program
- Reporting to CMS and SSA
 1. System Security Plan (SSP) submissions and reviews annually and for all major changes
 2. Information System Security Risk Assessment (ISRA) annually and for all major changes
 3. Fed2NonFed Interconnectivity Security Agreement (ISA) for all changes
 4. Privacy Impact Analysis (PIA) for all changes
 5. Change reports and updates to notify CMS and SSA of changes in advance of the change review cycle

Id. at pp. 5-7. AHCCCS identified Accenture’s failure to identify ethical hackers as a weakness. Alluma’s proposal provides: “Though not required by MARS-E or Arizona, Alluma has instituted an Ethical Hacker Program to test the veracity of HEAplus and provide extra protection from potential hackers.” *Id.* at p. 7.

Experience/ Expertise	Accenture Score out of 5	Strengths	Weaknesses
POAMs (number, aging, severity) (Severity and Security V1, V2, V3)	2.5	Low number of open POAMs (33) none critical but oldest is 21 months which is approaching the 24 month threshold low	

Alluma’s Proposal: At the time of proposal submission, Alluma had only 18 POA&Ms open, and only 20 POA&Ms were open in the January 2020 POA&M Report submission to CMS. All of these POA&Ms were of LOW severity. *Id.* at 5.

Experience/ Expertise	Accenture Score out of 5	Strengths	Weaknesses
Systems Capability for Resuse of e Data Collected RFP: ‘Describe your experience with leveraging existing ACA capable Medicaid E&E capabilities’	2	Adequate response, no special insights	

Alluma’s Proposal: Among many points set forth in its proposal, Alluma highlighted significant experience in its thought leadership driving the technical systems goals and objectives codified by the ACA and leveraging these for Arizona’s benefit.

Leveraging knowledge and experience from one program to another, from one solution to another, from one state to another, from social technology partners and forums, or from the federal government to the state is what keeps HEAplus continuously moving and improving. Since its first project in 1999 to reform the CHIP application in California, Alluma has been laying the groundwork for the field that exists today focused on application automation, streamlining technology and operations, horizontal program integration, and human-centered design (HCD). Alluma leadership were key contributors to drafting ACA Section 1561, the technical requirements for eligibility and enrollment. We were asked to write this section by former Senator Barbara Mikulski and her staff based on our work in Maryland. The inputs used to write this section included the many lessons learned from Health-e-Arizona and One-e-App clients. Some of the biggest challenges at the time were the integration of SNAP and TANF, leveraging of electronic verification sources to remove this burden from consumers, and the use of electronic communication protocols like email and text to expand communication options for consumers. Section 1561 was then translated into policy, which CMS then refined into the “Seven Standards and Conditions” for states to obtain enhanced 90% federal match for their eligibility, enrollment and exchange systems.

Alluma has been an active participant, on behalf of Arizona, in the best practice round table forums sponsored by CMS called Learning Collaboratives where we presented Arizona features regularly. Alluma will be supporting Arizona in its upcoming interview with Mathematica where Arizona has been identified as an exemplary state, with two others, in the area of Program Integrity and System Efficiency. These forums give the Arizona team information and options to pursue and continue to improve HEAplus and outcomes for Arizona consumers.

Arizona also asked Alluma to support DES for Medicaid, SNAP, and TANF when the state was working on completing the SSP for its first-time submission to CMS. This support has also been provided to the AHCCCS team who is working through their MARS-E requirements.

Alluma works with other jurisdictions, participates in national forums, and takes pride in always being in a listening, learning, and collaboration mode to make our solutions work better. This can be as simple as observing consumers inputting application data in a DES office, using HCD to evaluate how to improve HEAplus, garnering best practices from our other solutions, or studying consumer survey information to gather feedback. Many ideas for HEAplus improvements come from the Joint Application Design (JAD) sessions, SWOT/SWAT meetings, program, build, ticket review, backend, leadership and other meetings where State colleagues and Conduent provide valuable input.

Alluma also “pays it forward,” by providing technical assistance to other states, participating in CMS Learning Collaboratives and national studies, presenting at conferences, and writing articles and publishing research. Alluma’s non-profit model allows us to uniquely leverage our experience. For example, of significant value to HEAplus is our leadership and engagement in the social technology space including our partnership with Microsoft’s Technology for Social Impact initiative. In addition, our Policy Innovation team investigates trends, best practices, policy changes and collaborates with our project teams, like HEAplus, to ensure our solutions align with and support changing policies.

The HEAplus team has recently been asked by CMS to be interviewed by Mathematica on its use of Automation to Achieve Program Integrity which CMS indicated is an “exemplary example.”

Id. at pp. 8-9.

Methodology	Accenture Score out of 5	Strengths	Weaknesses
2.7 Reporting	2	Adequate response. myWizard batch 360 tool for one stop shop.	

Alluma’s Proposal: Alluma’s response to the SOW 4.6.7 (Reporting) recognized to extend beyond automated reporting designed and implemented by Alluma, to date, but also the support provided to State staff to further analyze data and expand reporting. Further, Alluma related the operational reports to be the tip of the operations support. The Alluma response demonstrated not only an intimate level of understanding of the importance of capturing, curating, and consuming associated data, but also the operations necessary to construct collaborative processes and build tools to efficiently act on that data. For instance, Alluma’s response included approaches to resolve job exceptions beyond the required reporting of job exceptions. See Alluma

Proposal, B2 Narrative Methodology, § 2.7, at p.16. The Accenture response hinged on working with the State to “help you reach the goals stated in your requirements and can help you think through strategies.” See Accenture Proposal, B2 Narrative Methodology § 2.7, at p. 14.

The HEAplus organization chart proposed by Alluma is based on the current level of operations support provided. For instance, it includes an Auto Applications Team that monitors, maintains, analyzes and resolves exceptions in collaboration with an AHCCCS team, collaborates with other system owners (AHCCCS, DES, external to the State) to resolve issues and improve processes. See Alluma Proposal, B1 Narrative Experience/Expertise, at p. 15. The project organization chart proposed by Accenture was redacted.

Methodology	Accenture Score out of 5	Strengths	Weaknesses
2.8 Training	2	Adequate response - no special insights.	

Alluma’s Proposal: Alluma’s proposal articulated its robust training environment and features, and its strong commitment to this crucial aspect of Alluma’s partnership with the State:

HEAplus maintains a separate training environment as part of our system development life cycle which supports all the types of training the State conducts. Training is post-production and is synchronized with production on the Friday following each build. In this manner, the training environment reflects the latest code so that trainees are trained on the latest version of HEAplus. In addition, Alluma built a module to support trainers whereby they can create defined application scenarios, stored as a master. Trainers can then replicate these master applications for as many trainees or use purposes they have. Further, the training masters are set up for the specific trainer, so there can be multiple training classes going on and the master applications and their clones are not impacted by a different trainer. This way, trainers can maintain and customize their curriculum and conduct their training class concurrent with other classes without interference from the other training classes. This replication and cloning feature available in training saves time in prepping for their training classes and ensures each trainee has the right types of applications to work on for the training that is being conducted. The training environment is stand alone, so it will support as many training classes and as many trainees as Arizona needs it to support. As with all of our HEAplus application environments at Alluma, the training environment is maintained and operated following MARS-E standards, including user security profiles. In addition to the training environment, Alluma has also supported trainers in preparing computer-based training modules for HEAplus. Alluma will continue to support this process as needed. Training is critical and as such, Alluma is

committed to making sure trainers and trainees have a positive HEAplus experience.

See Alluma Proposal, B2 Narrative Methodology, at p.18.

Methodology	Accenture Score out of 5	Strengths	Weaknesses
3.1 Transition Methodology	3	<p>Robust plan proposed.</p> <p>Attention to all phases of transition covered to provide a seamless transition.</p> <p>Include dedicated lead resources for the technical side and management side.</p> <p>Start Up Plan includes 2 weeks of</p> <p>2 in a chair process - to bring both vendors together to resolve defects and accelerate knowledge transfer.</p> <p>Will target incumbent staff for rehire and has a 85% success rate in hiring incumbent's staff to help with transition.</p> <p>Includes robust knowledge transfer approach including reports of status.</p> <p>Start Up Schedule diagram demonstrates 6 month start up.</p>	

The highlighted language above demonstrates conclusively that both Accenture's experience and its methodology depend, in some measure, on Alluma. The State's citing Accenture's promise to "target incumbent staff" as a strength shows that Alluma would have scored at least as well as, but almost surely better than, Accenture (that is, Alluma planned to retain all of its knowledgeable employees, not just 85%). This is another example proving that there would have been real value in having Alluma at least be a part of the discussion. Further,

the propriety of the evaluation committee's seeming endorsement of another vendor poaching an incumbent's employees as a strength in its proposal is questionable, particularly in light of the fact that the incumbent was improperly excluded from consideration.

2. *Alluma's Cost Proposal Was Feasible, Reasonable Based on the RFP's Requirements, and Supported by Alluma's Significant Experience with HEAplus.*

Notwithstanding the Procurement Determination, Alluma's cost proposal cannot properly be viewed in isolation, separate from its robust technical proposal. Namely, in its response to the RFP, Alluma proposed M&O approaches and methods which support the full breadth of the services required to support Arizona and HEAplus M&O. Other offerors simply did not. Although Alluma's response to the technical portion of the RFP drove Alluma's pricing to be higher than other offerors' pricing, Alluma's offer presents a far more realistic estimate of the cost required to perform the work to adequately support HEAplus.⁷

By rejecting Alluma's proposal before evaluation, the CPO prevented Alluma from explaining the basis of its cost proposal (through clarification or discussion) and deprived Alluma of the opportunity afforded to other offerors to engage in discussions and/or price negotiations. By failing to evaluate Alluma's technical proposal, the CPO also failed to analyze: (1) the reasons for the cost disparity between the incumbent contractor's proposed price and the other offerors' proposals;⁸ (2) whether that disparity was justified by the technical proposal; and/or (3) whether the lower cost proposals presented a meaningful and/or feasible solution.

In reviewing Alluma's cost proposal compared to other vendor offerings, it appears that the other offerors, who do not have experience with HEAplus's current M&O, may have lacked sufficient information to provide reasonable staffing and cost estimates for the required M&O work. Alluma believes that this lack of understanding by vendors not familiar with HEAplus and the responsibilities to support Arizona, resulted in the offerors submitting significantly below-market cost proposals that will necessarily result in cost adjustments and amendments subsequent to the contract award by the awarded vendor. The awarded cost (\$39 million) is not feasible, given the scope of the work required by the complex HEAplus E&E system.

Overall, in excluding Alluma and awarding the contract to a lower cost offeror, it appears that Arizona took the approach that an E&E system is a commodity, and that all E&E systems are equivalent. This is not the case. While E&E systems are generally based on the same fundamental guidelines, the implementation, the extensiveness of the implementation, the array of program and system integrations, the degree of consumer engagement, and the support for automated adjudication has wide variability across the states.

There was no substantive evaluation of the quality of the cost proposals, which would have revealed real differences in the scope of the proposals' technical offerings. Alluma's cost proposal was rejected out of hand, although Alluma has the deepest knowledge of the breadth and depth of the HEAplus solution and its operation, which includes a level of support not contemplated by the other offerors' proposals.

⁷ Additionally, Alluma's proposed costs are more aligned with comparable states' costs for M&O, such as Texas TIERS and others, *see infra*.

⁸ Critically, the procurement file contains very little information regarding the basis for other offerors' cost proposals; Alluma anticipates learning more upon receipt of public records in response to its June 26, 2020 public records request.

Accenture’s bid for M&O is about 1/3 of the current M&O cost for HEAplus (annual \$6.5 million as compared to \$19.6 million), yet the current level of support has achieved a level of success, touted by AHCCCS as:

- Eliminated manual staff processing time, increased the timeliness of eligibility determinations, and improved customer satisfaction.
- System automation has reduced the number of manual communication documents by 1.3 million between 2016 and 2018, creating an estimated savings of more than 110,000 hours of state employee time.
- More than 69 percent of HEAplus applications are submitted by the applicants themselves, community assistors, or other non-state employees.
- In 2019, 88 percent of eligibility renewals were entirely automated.
- More than 83 percent of users say HEAplus is “very easy or easy” to use.
- The Centers for Medicare and Medicaid Services (CMS) rated HEAplus in the top 3 percent of Medicaid eligibility systems in the nation.

See Press Release, [Exhibit E](#).

While the combined total prices proposed by the three fully evaluated offerors were within approximately \$10 million of each other, there was significant variation in the cost categories. For example, Accenture’s bid for transition costs is the highest and is more than 14 times the lowest (Deloitte), and Accenture’s bid for operations is half or less than the other offerors’. These wide variations further indicate that the offerors had a very different understanding of the requirements and level of services expected and should have raised red flags about the feasibility of performance and whether the scope of the offerors’ proposals would meet the State’s needs.

Cost Scoring YH20-0001				
	Accenture	Deloitte	Optum	Alluma
Online Knowledge Management System (not scored)	\$ 414,478.00	\$ 879,817	\$ 1,416,263	\$ 165,657
Reporting Region (not scored)	\$ 406,351.00	\$ 1,136,343	\$ 2,616,064	\$ 177,051
Automated Testing Tool (not scored)	\$ 78,076.00	\$ 1,468,012	\$ 515,602	\$ 156,215
subtotal of unscored tools	\$ 898,905.00	\$ 3,484,172	\$ 4,547,929	\$ 498,923

The level of variability in the above cost chart would indicate not only significant difference in development costs across vendors, but also a difference as compared to M&O.⁹ Since AHCCCS did not request or require information such as hours and rates to support the cost proposals, it would be impossible to analyze the efficacy of the costs provided or to support analysis that could substantiate the differences between vendors. Had Alluma’s offer been considered, the evaluation committee would have been able to observe critical differences

⁹ Arizona appears to consider the skills and cost of M&O services to be equivalent or comparable to “New Development” services. The AHCCCS RFP requested information relevant to M&O only, yet AHCCCS awarded an additional \$82 million in New Development and Infrastructure based on the M&O Response. New Development requires different skills, experience, knowledge of the platform, operating software, rules, program and data integrations. The evidence of the variability in the bids Arizona received for New Development items that were included in this RFP and demonstrated in the vendor responses highlights very different underlying assumptions and capabilities of each vendor. This variability and the fact that AHCCCS did not request or require New Development information to support informed analysis of capabilities or experience related to New Development work indicates that the additional award of \$82 million in New Development Costs and Infrastructure to Accenture may not be in the best interest of the State of Arizona.

between the proposals and would undoubtedly have seen a qualitative justification for Alluma's cost proposal. But the evaluation committee was not provided that opportunity.

Other offerors' lower cost proposals are not feasible, and/or will not meet the State's needs (that is, either there will be cost overruns or the State will realize a substantially reduced level of M&O support). There are many examples of similar systems in other states with total costs to date that are significantly higher than HEAplus. Costs for similar programs in states such as Rhode Island, Massachusetts, Oregon, Maryland, Kentucky, Arkansas, Kansas, and West Virginia cost as much as 2-4 times the cost to develop and implement HEAplus. Available information for systems such as Access Arkansas and Texas TIERS shows that annual costs to maintain similar programs are commonly in excess of \$30 million. See, e.g., Articles re Access Arkansas, attached as **Exhibit H**.

Most notably, the Ohio Benefits system, licensed from Accenture, is reported (as of January 2020), to have cost Ohio \$1.2 billion, approximately 5 times the cost of HEAplus to date. Further, the Ohio Benefits system is reported to have a significant number of defects, including eligibility determination issues. See "State Reveals \$1.2 billion Ohio Benefits system riddled with defects a year out from Medicaid work requirements," attached as **Exhibit I**. In addition, Accenture's implementation of the KEES system in Kansas is reported to have encountered many delays, and a 34% cost overrun, to tally a reported \$181 million. See Articles re KEES System, attached as **Exhibit J**.

Accenture's proposal was significantly redacted, making it impossible to determine if Accenture cited specific examples to support its proposal; but Deloitte highlighted Texas TIERS as the largest Medicaid system supported by Deloitte. Based on a variety of key indicators, supplied by Deloitte, HEAplus is comparable in size and, arguably, greater complexity than Texas TIERS. Deloitte further indicated that their Texas Tiers M&O and Enhancement Team is greater than 100 people, which is comparable to Alluma's entire HEAplus team. Annual expenditures for Texas TIERS are reportedly in excess of \$46 million. See Quarterly TIERS Report, attached as **Exhibit K**. The disparity in Deloitte's cost proposal and the Texas TIERS example it cited demonstrates that Deloitte (and others) did not understand the scope and complexity of HEAplus.

Because Alluma is a non-profit organization, what Alluma says and commits to is exactly what the State gets in return. Alluma's history with the State proves this out. Alluma does not bid low with the intention of continuously requesting change orders. It does not bid low with the hope of being considered for other procurement opportunities. It does not provide services that are outside its mission, such as a re-build of PMMIS or other such potential procurement opportunities. Instead, Alluma's proposal was experientially based. Alluma provided a price for what it knew was required to maintain and operate HEAplus and to support the State. It then added to that base the following:

- Costs associated with complying with, reporting on, and meeting new SLA's imposed in the RFP (RFP reference Section 5.5, specifically SLA ID # 1-12) and some expectation that given the SLA's the risk of sanctions also increases.
- Costs associated with meeting the continuous and growing requirements of MARS-E (RFP Section 5.4.2) with the expectation of MARS-E version 3.0 expected to be released in mid 2021.

- Costs associated with the additional scope items including Section 5.1.1, 5.1.2, 5.2 and Online Knowledge Management System (Cost Section of the RFP).
- Cost associated with the creation, update, review and completion and frequency of delivery of a series of deliverables required in the RFP which are not part of the current M&O contract (RFP Section 5.3) as shown in the table below:

Deliverables			
#	Deliverable	Update Frequency	Target Submission Date
1	Start Up Plan	One Time	15 business days after the start of the contract, 10/1/2020.
2	Operational Readiness Test Plan	One Time	60 business days prior to the start of the operational test.
3	Start Up Phase Readiness Assessment	One Time	20 business days prior to the planned completion of all startup activities.
4	Operational Procedures Manual	Annual	30 business days prior to the planned completion of all startup activities.
5	Maintenance & Operations Plan and Schedule	Annual	30 business days after completion of startup period.
6	Infrastructure and Application Support Plan	Annual	140 business days after completion of startup period.
7	Quality Assurance Plan	Annual	160 business days after completion of startup period.
8	MARS-E Compliant Security Documentation	Annual	70 business days after contract start.
9	Transition Plan	One Time	Within 30 business days of notice of contract termination or expiration.
10	Project Status Report	Monthly	3 business days after the last day of each month.
11	Defect Remediation Report	Monthly	3 business days after the last day of each month.
12	Job Exceptions Report	Monthly	3 business days after the last day of each month.

Alluma also included a small price per hour increase (5%), because Alluma’s hourly rate has not increased for five years. Together, Alluma’s cost proposal best reflects the quality and quantity of work required under the RFP and presents the proposal most advantageous to the State.

III. REQUEST FOR STAY

For all the reasons set forth above, there is a reasonable probability that Alluma’s protest will be upheld; and, consideration of Alluma’s proposal is in the best interest of the State. As such, and pursuant to AHCCCS R9-22-604(E) and R2-7-A902(A) & (C), Alluma respectfully requests that contract implementation be stayed until its protest is fully resolved.

IV. REQUESTED RELIEF & CONCLUSION

Because the State’s contract award does not comply with applicable statutes and rules, the CPO should sustain the protest and “order an appropriate remedy.” R2-7-A904(A); R9-22-604(H). Alluma respectfully requests that the CPO award Alluma the contract. Alternatively, the CPO should reissue the solicitation consistent with Arizona law.

Pursuant to R2-7-A904(B) and R9-22-604(H)(2), Alluma’s proposed remedies are wholly appropriate under the circumstances:

- As articulated above, the procurement deficiencies in connection with the RFP were both material and prejudicial. Alluma’s proposal was precluded even from evaluation, inconsistent with applicable procurement regulations, the Arizona Procurement Manual, and AHCCCS’ own past practices. See R2-7-A904(B)(1); R9-22-604(H)(2)(a);

- Although other interested parties may argue prejudice, the integrity of the procurement process would be furthered by Alluma's requested relief and a stay pending resolution of the protest would serve the State's best interests. *Id.* at R2-7-A904(B)(2); R9-22-604(H)(2)(b);
- Alluma has acted in good faith, reviewed the procurement file for apparent errors in the procurement process, and brought this protest only after careful consideration. *Id.* at R2-7-A904(B)(3); R9-22-604(H)(2)(c);
- To the best of Alluma's knowledge, contract performance has not yet begun. *Id.* at R2-7-A904(B)(4); R9-22-604(H)(2)(d);
- Based on Alluma's proposal and its understanding of the work required under the RFP, Alluma reasonably believes that its proposed solution would be the most advantageous to the State (meaning that its proposal represents the highest level of benefits at an accurate cost, without cost overruns or unanticipated add-ons). *Id.* at R2-7-A904(B)(5); R9-22-604(H)(2)(e) & (g);
- Alluma is not aware of any particular urgency for this procurement that would preclude staying implementation during the pendency of this protest. *Id.* at R2-7-A904(B)(6); R9-22-604(H)(2)(f);
- Alluma believes a stay would further AHCCCS' mission, giving AHCCCS an opportunity to consider this protest and Alluma's proposal (which will best meet with State's ultimate needs under the RFP). *Id.* at R2-7-A904(7).

Alluma therefore respectfully requests that the CPO: (1) stay contract implementation pending resolution of this protest; (2) sustain Alluma's protest; and (3) either issue the contract award to Alluma or reissue the solicitation consistent with Arizona law.

Very truly yours,

HENZE COOK MURPHY, PLLC

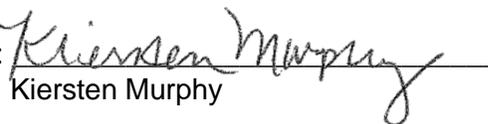
By: 
Kiersten Murphy

EXHIBIT A

June 26, 2020

THIS NOTICE WAS SENT VIA EMAIL

Robert Phillips, President and CEO
The Center to Promote Healthcare Access, Inc DBA Alluma
1951 Webster Street, 2nd Floor
Oakland, CA 94612
rphillips@alluma.org

Re: RFP YH20-0001 Results
Health e Arizona Plus Maintenance and Operations Service RFP

Dear Mr. Phillips:

Your proposal to provide the above referenced services was received and reviewed. The proposal was ultimately determined to be not susceptible for award. Please see attached determination.

Contract award was made to Accenture. This proposal will be the most advantageous to AHCCCS based on the evaluation factors set forth in the solicitation. The full procurement file may be found on our website under the solicitation documents (<https://www.azahcccs.gov/Resources/OversightOfHealthPlans/SolicitationsAndContracts/open.html>)

We have truly appreciated your partnership over the years. We encourage your response to upcoming solicitations that will be offered in the near future. Please feel free to reach out to me directly to request a vendor debrief if you are interested.

Sincerely,

Meggan LaPorte

Meggan LaPorte, MSW CPPO
AHCCCS Chief Procurement Officer
Meggan.LaPorte@azahcccs.gov
Procurement@azahcccs.gov

PROCUREMENT DETERMINATION

Solicitation Number: YH20-0001

Service: HEAplus Maintenance and Operations RFP

After careful review of the proposal submitted by The Center to Promote Healthcare Access, dba Alluma, the Chief Procurement Officer has determined that the proposal is not susceptible for award for the following reason:

1. The proposal is unreasonably high in comparison to other proposals received.
 - a. The 5 year cost submitted by Alluma for all scored portions is \$138,863,613 in comparison to the other proposals at \$36,592,728, \$41,277,318 and \$49,959,499. Alluma's proposal is 178-279% higher than the other offers received. See cost scoring methodology for description of scored portions.
 - b. The total 5 year cost submitted by Alluma for all portions, scored and not scored, is \$139,362,536 in comparison to other proposals at \$42,031,087, \$53,881,208 and \$43,540,325. Alluma's total 5 year cost proposal is between 159-232% higher than the other offers received.
 - c. Additionally, as the incumbent contractor, Alluma's offer proposes an increase of more than 35% for Maintenance and Operations costs compared to current contract expenditures for Maintenance and Operations.
2. The agency chief procurement officer also determines that prompt notification to Alluma would compromise the State's ability to negotiate with other offerors, thus this determination is confidential until date of award.

Therefore, pursuant to R9-22-602, the proposal is hereby rejected.

Signature: Signature on file

Name: Meggan LaPorte, CPPO
Title: Chief Procurement Officer
Date: March 27, 2020

EXHIBIT B

June 26, 2020

VIA EMAIL

Ms. Meggan LaPorte
Chief Procurement Officer
Arizona Health Care Cost Containment System
701 East Jefferson St
Phoenix, Arizona 85034
Meggan.laporte@azahcccs.gov
procurement@azahcccs.gov

RE: Public Records Request Pursuant to A.R.S. § 39-121, et seq.

Dear Ms. LaPorte:

This firm represents The Center to Promote Healthcare Access dba Alluma (“Alluma”) and respectfully requests the public records identified below related to the Arizona Health Care Cost Containment System’s (“AHCCCS”) Request for Proposals, Solicitation No. YH20-0001, Health-e Arizona Plus Maintenance and Operations Services (“the RFP”).

This request is made pursuant to Arizona’s Public Records Law, A.R.S. § 39-121, *et seq.*, and includes any records maintained by the State, including: AHCCCS, the Arizona Department of Economic Security (“ADES”), the State Procurement Office (“SPO”), the RFP evaluation committee, and/or any consultants (collectively, the “State”).

Consistent with Arizona law, to the extent the requested records were not included in AHCCCS’ posted “procurement file,” please promptly provide:

1. All records upon which the Chief Procurement Officer relied in making the March 27, 2020 Procurement Determination that Alluma’s offer was “not susceptible for award.” This includes, but is not limited to, records upon which the Chief Procurement Officer relied in making the determination that, “Alluma’s offer proposes an increase of more than 35% for Maintenance and Operations costs compared to current contract expenditures for Maintenance and Operations.”
2. All internal and external emails, letters, documents, or other records related to or concerning the March 27, 2020 Procurement Determination and the findings set forth therein.

3. Any Procurement Determination or other written record issued in connection with any State solicitation that an offer was not susceptible for award based on cost, from January 1, 2015 to date.
4. All scoring sheets resulting from any RFP wherein the price differential between the highest and lowest offers is 50% or more, from January 1, 2015 to date.
5. Fully unredacted proposals, amendments, addenda, and best and final offers (“BAFOs”) submitted in connection with the RFP. This request includes, but is not limited to, all Offeror responses to clarification letters, negotiations/discussions, and best and final offers.
6. All records and communications between the State and the Offerors, including any records or communications regarding: clarifications, discussions/negotiations, presentations, and best and final offers.
7. All scoring or evaluation sheets, including spreadsheets, evaluator notes and comments, drafts, memoranda, checklists and written materials of any kind associated with the evaluation of the Offers or BAFOs in connection with the RFP.
8. Any description, understanding, spreadsheets, calculations, framework, formulas, methodology or any records of any kind regarding how scoring of the RFP was conducted.
9. All communications, or records of communications, including emails, between any Offerors and the State (inclusive of officers, employees, any member of the evaluation committee and/or contractors and consultants of your agency) relating to the RFP.
10. All communications, memoranda, drafts and/or meeting notes, including internal emails between the State and/or any member of the evaluation committee or any consultants, relating to the RFP, including but not limited to any scoring or scoring criteria used to review and/or evaluate Offers submitted in response to the RFP.
11. All communications, notes, emails, or memoranda related to the Offerors’ clarifications, discussions/negotiations, or in-person presentations.
12. Any protests or other inquiries relating to the RFP, including, but not limited to, requests to stay the procurement submitted to the agency.
13. All other public records requests submitted to the State relating to this RFP.

If the State withholds production or any records or takes the position that any responsive records are protected by the attorney-client privilege, please provide an index in accordance with A.R.S. § 39-121.01(D)(2).

Given the July 6, 2020 deadline for a potential protest regarding the contract award and the compressed timeframe for preparing a protest, I would appreciate an expedited response to this public records request. Please provide copies of the records electronically in native or PDF format on a rolling basis, rather than at the conclusion of your search.

Ms. Meggan LaPorte
June 26, 2020
Page 3 of 3

You can send any records to me at kiersten@hezecookmurphy.com. Alluma agrees to pay all charges authorized by law or applicable regulations in connection with our request.

Sincerely,

HENZE COOK MURPHY, PLLC

By: /s/ Kiersten Murphy
Kiersten Murphy

EXHIBIT C

YH20-0001 HEAplus Maintenance and Operations RFP

SCORING METHODOLOGY

The evaluation team for this RFP was developed by both leadership at AHCCCS as well as ADES and is comprised of select subject matter experts. The evaluation team will be required to independently review each proposal. The team will then convene and discuss each proposal as it relates to the requirements listed in the RFP and come to a consensus score for each proposal. Any individual scores or notes developed outside the consensus scoring meetings are deemed draft and will be destroyed upon development of the final consensus score. The team is chaired by the Chief Procurement officer and the meetings are facilitated by the procurement consulting team. The team will meet several times over a period of weeks to make final recommendations.

ASSIGNMENT OF POINTS:

	Max Points
<i>ADHERENCE to MANDATORY REQUIREMENTS</i>	<i>PASS/FAIL</i>
<i>EXPERIENCE AND EXPERTISE NARRATIVE PROPOSAL</i>	<i>475</i>
<i>METHODOLOGY NARRATIVE PROPOSAL</i>	<i>275</i>
<i>COST PROPOSAL</i>	<i>250</i>
TOTAL SCORE	1000

MANDATORY REQUIREMENTS

This section is pass or fail. If the Offeror clearly does not meet minimum mandatory requirements pursuant to the solicitation, as determined by the Chief Procurement Office, the proposal will be determined to be non susceptible for award and will not be scored. If the Offeror has not demonstrated clearly its ability to meet the minimum requirements of the solicitation, the Chief Procurement Officer may consult with subject matter experts and may either determine it to be non susceptible for award, or allow the proposal to be evaluated. A proposal may at any point during the evaluation be deemed not susceptible for award.

EXPERIENCE AND EXPERTISE

The maximum points available for this category is 475. Submission requirements considered in this category include the Offerors' narrative of their experience and expertise including the company history and background, key staff and information presented and discussed during the Offeror's demonstration of its solution.

METHOD OF APPROACH

The maximum points available for this category is 275. Submission requirements considered in this category include the Offeror's narrative of its proposed methodology to carry out the scope, ability to agree to the technical requirements listed in the solicitation and additional scope of work and information presented and discussed during the Offeror's demonstration of its solution.

COST SCORING

The maximum points available for this category is 250. The RFP requires the Offerors to submit a total proposed solution price for the entire 5 year contract period. The total 5 year cost for the purposes of evaluation of this category will be a combined total of the price proposed for Maintenance, Operations and Transition Activities (excluding disengagement costs). This price will be compared by a relative scaled score. $(\text{Lowest Price} \div \text{Price Offered}) \times \text{Max Points} = \text{Awarded Points}$. Offerors with proposed 5 year prices that are within a few thousand dollars of each other will be scored the same. The following elements will not be assigned a point value but will be discussed: Disengagement Costs, Online Management System Costs, Reporting Region Costs, and Automated Testing Tool Costs.

EXHIBIT D

MEMORANDUM

Date: June 23, 2020

By: Meggan LaPorte, CPPO
Chief Procurement Officer

SUBJECT: **EXECUTIVE SUMMARY**
Request for Proposal #YH20-0001
HEAplus Maintenance and Operations RFP

The Request for Proposals (RFP) commenced in accordance with A.R.S. § 36-2906.

Timeline

1. RFP was written and reviewed by internal subject matter experts from AHCCCS and ADES and sent to CMS and FNS on September 23, 2019.
2. Notice of the upcoming solicitation was published in the Arizona Record Reporter on December 6, 2019.
3. CMS and FNS approved the publication of the RFP on January 16, 2020.
4. The RFP was posted on the AHCCCS website on January 17, 2020.
5. A Bidder's Conference was conducted on February 6, 2020.
6. Solicitation amendment one (1) response to offerors' questions was published on the AHCCCS website on February 10, 2020.
7. Solicitation amendment two (2) response to offerors' questions was published on February 28, 2020.
8. The RFP was closed on March 24, 2020, 3:00 PM (Arizona time) and four (4) proposals were received.

Award Recommendation

A total of four (4) proposals were submitted to AHCCCS by the due date of March 24, 2020, 3:00 PM (Arizona time). A total of one (1) proposal was rejected and removed from the evaluation process. The evaluation committee recommends contract award be made to Accenture, LLP. A history of the RFP development process and proposal evaluation process is provided below.

History of RFP Development and Release

netlogx, LLC (netlogx) was hired by the State of Arizona to develop the RFP to procure M&O services for HEAplus. The netlogx team met with key staff from the State of Arizona, AHCCCS and ADES, between March 25, 2019 and April 3, 2019 with the purpose of understanding the current state of the HEAplus application, and to define the future vision for its maintenance and operations.

netlogx facilitated requirements gathering sessions to define the future state, key deliverables, key staff, and Service Level Agreements (SLAs) for the ongoing M&O for HEAplus. Requirements gathering sessions were conducted on June 3, 4, 5, 6, 7, 10, 11, 12, and 13 and on July 3, 8, 9, 10, 11, 12, 15, 16, 17, and 19.

Following requirements gathering, netlogx developed a draft RFP and delivered the RFP to AHCCCS and ADES for review on August 9, 2019. netlogx then worked with AHCCCS and ADES to make

modifications to the RFP. AHCCCS sent the final RFP to CMS for review and approval on September 20, 2019 and ADES sent the final RFP to FNS for review and approval on September 23, 2019.

The Request for Proposals was published publicly on the AHCCCS website on January 17, 2020. Notice of the future RFP was advertised publicly in the Arizona Record Reporter on December 6, 2019. Approx. 100 vendors/potential offerors were notified through email of the RFP publication. A list of the vendors is contained in the procurement file. A Bidder's Conference was conducted on February 6, 2020. The written question deadline was February 7, 2020, and the offer due date was March 24, 2020, 3:00 PM (Arizona time).

Solicitation Amendment #1 was released February 10, 2020 and consisted of four (4) high priority questions and answers. Solicitation Amendment #2 was released February 28, 2020 and consisted of sixty (60) additional offeror questions and answers. Both solicitation amendments were posted publicly on the AHCCCS website along with the RFP.

Scoring Methodology

The evaluation committee met on August 30, 2020, to determine the scoring methodology and came to an agreement to apply the following point scale:

1. Offeror's Experience and Expertise of the Firm maximum points allowable of 475
2. Offeror's Method of Approach maximum points allowable of 275
3. Cost maximum points allowable of 250

Receipt of Proposals

Four (4) proposals were received and publicly opened on March 24, 2020 at 3:00 p.m. (Arizona Time) to the AHCCCS SFTP server in accordance with the RFP instructions:

1. Accenture, LLP
2. Deloitte Consulting, LLP
3. OptumInsight, Inc.
4. The Center to Promote Healthcare Access, Inc, dba Alluma

The proposal submitted by The Center to Promote Healthcare Access, Inc. dba Alluma was determined to be not susceptible for award and was rejected.

Evaluation Process

The three (3) responsive proposals were evaluated pursuant to the official evaluation criteria published in the Request for Proposals. The proposals were distributed to all committee members. The following subject matter experts served as evaluation committee members:

- Stacy Westerholm (AHCCCS)
- John Tunny (AHCCCS)
- Marshall Wilmot (AHCCCS)
- Kuruvilla Mathew (ADES)

netlogx participated in the Evaluation Process by scheduling Evaluation Meetings with the evaluation committee and facilitating conversation and tracking initial consensus scores, prior to Bidder's Presentations. The following netlogx team members participated in the evaluation process:

- Barbara Zenor
- Tyler Fosnaugh

All evaluation committee members and identified netlogx team members were required to sign a

Procurement Disclosure Statement/Confidentiality Statement at the commencement of the development of the RFP.

Evaluation Meetings

The evaluation committee's first meeting was held on April 6, 2020. The formal agenda for the evaluation of the proposals was discussed. At this meeting the committee started to developed pros and cons for each proposal. The team continued this process April 9, 10, 13, and 15, 2020.

On April 22, 2020 clarification letters were emailed to three (3) offerors asking for clarification on portions contained in the proposal which were unclear. All the requested items were provided by April 28, 2020.

During the subsequent meeting April 29, 2020, the committee finished the initial scoring process and determined susceptibility of offerors.

Bidder's Presentations

After the initial evaluation, all of the Offerors presumed susceptible for award at this time were invited to engage in Bidder's Presentations. On May 12, 2020, Bidder's Presentations were held with Deloitte Consulting, LLP and OptumInsight, Inc. On May 14, 2020, Bidder's Presentations were held with Accenture, LLP. The presentations were held virtually and were led by Meggan LaPorte, with participants:

- Stacy Westerholm (AHCCCS)
- John Tunny (AHCCCS)
- Marshall Wilmot (AHCCCS)
- Daniel Lippert (AHCCCS)
- Kuruvilla Mathew (ADES)
- Barbara Zenor (netlogx, LLC)
- Tyler Fosnaugh (netlogx, LLC)

Following Bidder's Presentations, the evaluation committee and netlogx team members met to adjust consensus scores as applicable, using the additional information provided by each Offeror in the Bidder's Presentations. These sessions were held on May 14 and 15, 2020.

Final Proposal Revisions

Requests for Best and Final Offers ("BAFO") were sent by the Chief Procurement Officer on May 29, 2020 and the Offerors were requested to submit a final proposal revision by June 10 2020, 3:00 PM Arizona time. All final proposal revisions were submitted on time by email. On June 17 and June 18, 2020, the evaluation committee evaluated and scored the final proposal revisions. At this meeting the committee also made recommendations for contract award.

Conclusion

After giving the proposals serious consideration and after examining the facts related to the evaluation criteria as published in the Request for Proposal, the Committee recommended a contract be awarded to Accenture, LLP. It is determined that this award will be the most advantageous to AHCCCS and the State of Arizona based on the evaluation factors set forth in the solicitation.

I concur with the committee's recommendation.

Attached and incorporated to this executive summary is the final scoring sheet

SCORING SUMMARY
RFP # YH20-0001

	Max Points	ACCENTURE	DELOITTE	OPTUMINSIGHT
ADHERENCE to MANDATORY REQUIREMENTS	PASS/FAIL	Pass	Pass	Pass
EXPERIENCE AND EXPERTISE NARRATIVE PROPOSAL	475	268	180	254
METHODOLOGY NARRATIVE PROPOSAL	275	177	106	133
COST PROPOSAL	250	246	193	250
TOTAL SCORE	1000	691	479	636

Evaluation Committee Members Attestation:

We hereby attest that the points awarded to each offeror listed on this Scoring Sheet were scored in accordance with the established evaluation criteria and represent our best judgment of each offeror's proposal. As indicated by the scores and the justification in the Executive Summary, our recommendation for contract award is: **ACCENTURE**

Stacy L Westerholm

Stacy L Westerholm (Jun 24, 2020 11:08 PDT)

Signature



Kuruvilla Mathew (Jun 24, 2020 08:12 PDT)

Signature

John Tunny

John Tunny (Jun 24, 2020 08:28 PDT)

Signature

Marshall Wilmot

Marshall Wilmot (Jun 24, 2020 08:44 PDT)

Signature

EXHIBIT E

Learn more about coronavirus (COVID-19) (<https://azahcccs.gov/COVID19>)



Advanced search (</advancedsearch.html>)

(/)

[Home \(/\)](#) / [News \(/Shared/News.html\)](#) / [This Page](#)

June 26, 2020

AHCCCS Awards 5-Year Contract for HEAplus Eligibility System Maintenance and Operations

AHCCCS recently announced a contract award for maintenance and operations of the Health-e-Arizona Plus (HEAplus) eligibility and enrollment system to Accenture. The contract award is \$39 million over five years for maintenance and operations of the system, and \$82 million over five years for new development and infrastructure that may occur over the term of the contract, for a total award of \$121 million.

HEAplus provides an online system for consumers, eligibility workers, and community assistors. The system supports eligibility determinations and ongoing case management for State programs, including: Medicaid, Children's Health Insurance Program (CHIP) (known as KidsCare in Arizona), Medicare Savings Program (MSP), Arizona Long-Term Care System (ALTCS), Supplemental Nutrition Assistance Programs (SNAP), Temporary Assistance for Needy Families (TANF), and Arizona's MyFamilyBenefits (Electronic Benefits Transfer [EBT] Portal).

Since its launch in October 2013, the Health-e-Arizona Plus (HEAplus) online eligibility system, jointly developed by the Arizona Health Care Cost Containment System (AHCCCS) and Arizona Department of Economic Security (DES), has undergone several system and user experience improvements. Combined, these improvements have eliminated manual staff processing time, increased the timeliness of eligibility determinations, and improved customer satisfaction.

- System automation has reduced the number of manual communication documents by 1.3 million between 2016 and 2018, creating an estimated savings of more than 110,000 hours of state employee time.
- More than 69 percent of HEAplus applications are submitted by the applicants themselves, community assistors, or other non-state employees.
- In 2019, 88 percent of eligibility renewals were entirely automated.
- More than 83 percent of users say HEAplus is "very easy or easy" to use.
- The Centers for Medicare and Medicaid Services (CMS) rated HEAplus in the top 3 percent of Medicaid eligibility systems in the nation.

The contract award scheduled start date is October 1, 2020. More information is available in the AHCCCS Solicitations and Procurements Bidder's Library (</Resources/OversightOfHealthPlans/SolicitationsAndContracts/open.html>) for RFP YH20-0001 HEAplus Maintenance and Operations RFP.

Can't find what you're looking for? Please visit the AHCCCS Document Archive (<https://archive.azahcccs.gov/>).

Select Language

Powered by [Google Translate](#)

EXHIBIT F

BAFO SCORING SUMMARY
RFP # YH19-0028 AZ Works Portal

Per Special Instructions to Offerors, Page 20 of RFP	Max Points	Accenture	Cognosante	Deloitte	Efficient Enterprise Engineering	GovWebworks	Innovative Architects	RCR Technologies	Smart Software Solutions	Social Interest Solutions B	System Soft Technologies
EXPERIENCE & EXPERTISE of FIRM and KEY PERSONNEL	400	323	266	296	27	81	101	233	22	301	45
METHOD OF APPROACH	350	185	328	214	43	150	166	163	86	229	122
COST	250	57	202	57	182	84	126	25	61	250	250
TOTAL SCORE	1000	565	796	567	252	315	393	421	169	780	417

Evaluation Committee Members Attestation: We hereby attest that the points awarded to each offeror listed on this Scoring Sheet were scored in accordance with the established evaluation criteria and represent our best judgment of each offeror's proposal.

As indicated by the scores and the justification in the Executive Summary, our recommendation for contract award is:

NAME

Marna Richmond 18-Jun-19
Signature on File **Date**

Marshal Willmot 18-Jun-19
Signature on File **Date**

Kuruvilla Mathew 18-Jun-19
Signature on File **Date**

EXHIBIT G

SCORING SUMMARY
RFP # YH20-0001

	Max Points	ACCENTURE	DELOITTE	OPTUMINSIGHT
ADHERENCE to MANDATORY REQUIREMENTS	<i>PASS/FAIL</i>	Pass	Pass	Pass
EXPERIENCE AND EXPERTISE NARRATIVE PROPOSAL	<i>475</i>	268	180	254
METHODOLOGY NARRATIVE PROPOSAL	<i>275</i>	177	106	133
COST PROPOSAL	<i>250</i>	246	193	250
TOTAL SCORE	<i>1000</i>	691	479	636

Evaluation Committee Members Attestation:

We hereby attest that the points awarded to each offeror listed on this Scoring Sheet were scored in accordance with the established evaluation criteria and represent our best judgment of each offeror's proposal. As indicated by the scores and the justification in the Executive Summary, our recommendation for contract award is: **ACCENTURE**

Stacy L Westerholm

Stacy L Westerholm (Jun 24, 2020 11:08 PDT)

Signature

Kuruvilla Mathew

Kuruvilla Mathew (Jun 24, 2020 08:12 PDT)

Signature

John Tunny

John Tunny (Jun 24, 2020 08:28 PDT)

Signature

Marshall Wilmot

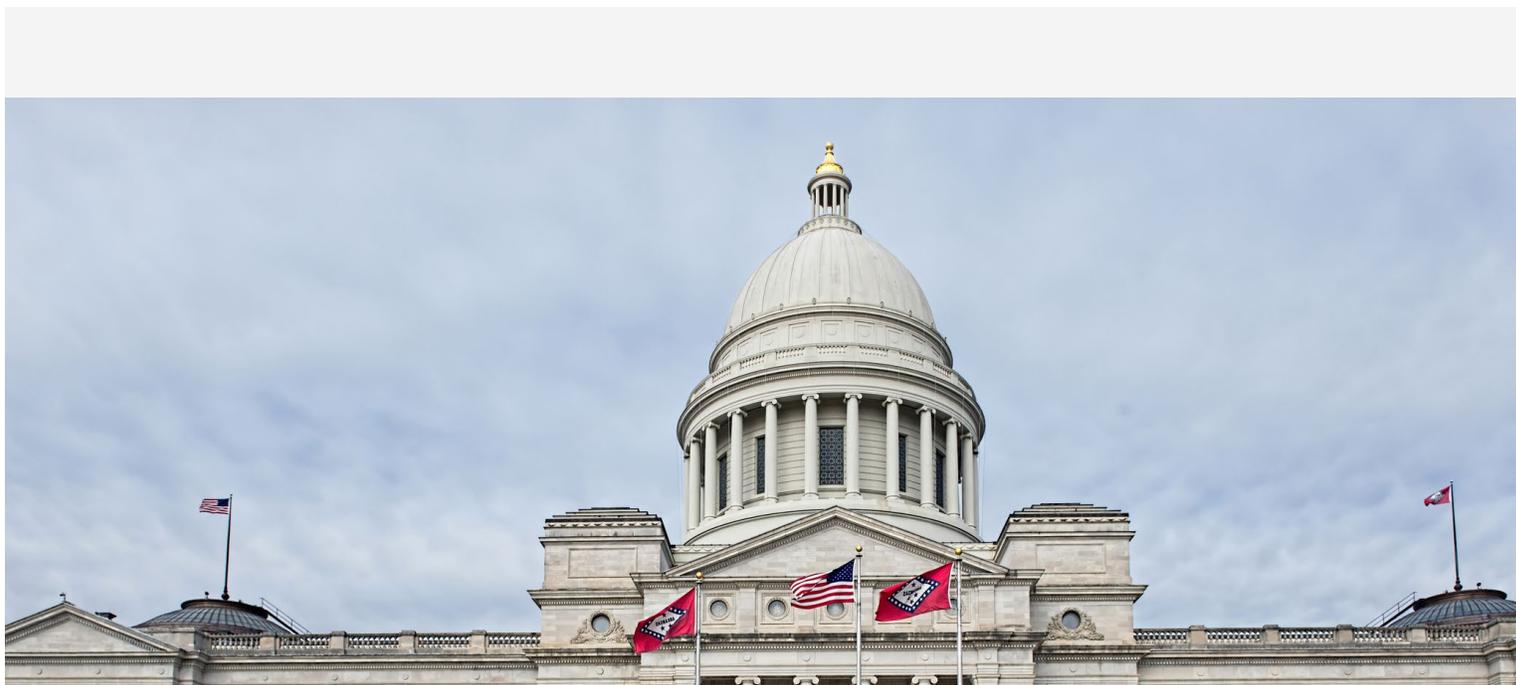
Marshall Wilmot (Jun 24, 2020 08:44 PDT)

Signature

EXHIBIT H

STATE

Arkansas' \$340 million government assistance software contract is under protest



(Getty Images)

Written by [Ryan Johnston](#)

OCT 22, 2018 | STATESCOOP

After awarding Deloitte a contract to overhaul its government assistance enrollment software, Arkansas has received a protest from a losing bidder who says it wasn't given a fair chance at a final bid.

The contract was awarded to Deloitte on October 4, four years after Arkansas Governor Asa Hutchinson [ordered the state's vendors to halt work](#) on a similar contract awarded in 2013. It's an enrollment software

that includes programs like Medicaid and others, and would replace a current legacy system. The current version of the contract with Deloitte is worth up to \$342.8 million over seven years, with \$95.9 million of that delivered for the initial system installation and \$30 million annually.

The protest — filed by Accenture's lawyer, Michael Shannon, last week — alleges that Deloitte failed to disclose problems with a former state-level software installation in Rhode Island, and that the contract was awarded without a final bid opportunity for Accenture and competing firms.

In April, Deloitte [apologized to Rhode Island](#) for its troubled UHIP software contract, which was intended to serve as an eligibility portal for public-assistance benefits in the state. Plagued by delays, outages and an inability to meet benchmarks with the program, the state has been sued by the American Civil Liberties Union multiple times — even bringing governor Gina Raimondo to the point of saying she was [considering firing Deloitte](#) last year.

In his letter of protest to the Arkansas Department of Finance and Administration, Shannon raised this point. Deloitte had told Arkansas officials that it had not been required to implement a corrective action plan for any of its eligibility system installations in five years, and only mentioned that the Rhode Island system “went live via a statewide ‘big bang’” in September 2016, without addressing any of the problems.

Shannon also wrote that Deloitte had increased its total bid price from \$246.3 million to the current mark of \$342.8 million since it first submitted the proposal on June 30, 2017. Deloitte's original bid was \$87,000 less than Accenture's opening offer, but Deloitte's \$100 million increase, among other revisions to the contract, came once the firm started negotiating with state officials, Shannon said. He continued that Accenture wasn't given a chance to submit a “best and final offer,” as is required under Arkansas code.

“Unless this process is reopened to Accenture, the State will enter into a \$100 million no-bid contract,” Shannon [wrote](#).

A protest like this is expected when dealing with contracts in excess of a million dollars, according to Department of Finance and

Administration spokesman Scott Hardin.

“It’s just simply a chance for state procurement to go in, and the leadership to go in, and further audit and review those documents and make a determination of whether or not to sustain that challenge,” he told the Arkansas Democrat-Gazette.

Accenture doesn’t have a perfect record either — it has seen cancelled contracts in Colorado, Florida, Wyoming, Kansas, Wisconsin and Texas over the last decade or so, and recently had a disastrous experience in [North Carolina](#) when a computer glitch prevented many from receiving food stamp benefits.

Accenture received the second-highest technical score while being evaluated by Arkansas, with Deloitte coming in at No. 1 and Optum, a division of Minnetonka, Minn.-based United Health Group, at No. 3. Deloitte was awarded the contract on a combined basis of cost and technical score.

Prior to the eventual implementation of a new software program, the procurement process is being run by the state’s Department of Health and Safety and Department of Finance and Administration, largely excluding the state’s Department of Information Systems — a decentralized approach that Hutchinson is looking to fix.

Earlier this month, the governor [proposed a reduction](#) of 42 executive-level departments to just 15 as part of a “long overdue” transformation of modern government services. The transformation would likely increase the influence that state CIO Yessica Jones could have on large-scale IT projects like the benefits-enrollment contract — a big step toward statewide infrastructure consolidation, she told StateScoop.

“It’s going to give us more leverage,” Jones said. “If you think about it this way, we are part of the shared services department, so what we are currently doing is going to impact everybody.”

-In this Story-

[Accenture](#), [Arkansas](#), [Deloitte](#), [IT Infrastructure](#), [Modernization](#), [States](#), [Tech News](#), [Yessica Jones](#)

Truth in state contracting an issue in \$342 million computer deal

BY [Max Brantley](#) ON October 20, 2018 2:27 pm

0 Comments



RHODE ISLAND PROBLEMS: A computer contract in Rhode Island produced big headaches. The same company has won a similar contract in Arkansas.

[The Arkansas Democrat-Gazette's Andy Davis reported](#) today on a huge piece of state business I'd been following — A \$342 million seven-year contract the **Human Services Department** has decided to award to **Deloitte Consulting** to manage Medicaid and other welfare benefit enrollment over seven years. The cost, after post-award negotiations, is about \$95 million higher than Deloitte's original bid. Hey, it's only tax money (mostly federal). **Accenture**, a competitor for the work, has filed an objection.

Having looked through some of the documents related to this deal previously, I'm inclined to add that the issue here isn't only the overrun (Accenture probably would have added costs to meet DHS requests in post-award negotiations, too.) It's honesty.

Davis' article touches on the point.

Deloitte had a disastrous rollout of a similar system in **Rhode Island** that led to a federal lawsuit and an enormous rebate by Deloitte. Stuff happens. But here's the key point. Arkansas officials knew of the Rhode Island problems. It asked about them. Deloitte said it had not had to implement a "corrective action plan" for the system it installed in Rhode Island. Accenture argues that Deloitte indeed HAD been made to

implement a "corrective action plan," which I take is a term of contract art in the multi-million-dollar circles in which these firms compete for state government business.

ADVERTISEMENT

So, Accenture argues, the winner of a \$342 million Arkansas contract didn't tell Arkansas the whole truth. Oddly enough, it earned a few points in the complicated scoring system for its answer on that particular question. The scores of Accenture and Deloitte were a virtual dead heat.

The state procurement office will review Accenture's appeal. No decision has been reached.

TOP ARTICLES 1/5

ARKANSAS
TIMES



— Three shot at North Little Rock apartments —

READ MORE >>

ADVERTISEMENT

The Deloitte experience in Rhode Island is worth considering. The D-G story today didn't have room to explain how bad it was.

[Deloitte was forced to issue a public apology.](#) From local TV news coverage in April:

The apology was made in front of the R.I. House Oversight Committee Thursday evening. It's the first time Deloitte representatives testified at a State House hearing on UHIP, which is short for the Unified Health Infrastructure Project.

.... UHIP went live in September 2016. The computer system was supposed to streamline benefits like Medicaid, food stamps and child care assistance for hundreds of thousands of Rhode Islanders.

But almost immediately after UHIP launched, users reported missing benefits, hours-long call wait times to the R.I. Department of Human Services, and long lines at DHS field offices.

As Target 12 first reported a month after the system launched, the federal government warned the state it was not ready to live with the system. Deloitte officials acknowledged Thursday night they were also aware of that warning

The ACLU sued in Rhode Island because food stamp processing was so flawed. [Deloitte earlier this year agreed to give Rhode Island a \\$60 million credit for the screwups.](#)

Note that Deloitte is proposing a brand-new groundup system for benefit eligibility management. Accenture proposed to upgrade an existing system that, presumably, more or less works though. That can explain some of the cost difference.

ADVERTISEMENT

Says the cynic: This system couldn't be any worse than the Hutchinson administration's computerized Medicaid work compliance rule which has tossed 8,500 off health coverage with thousands more to come.

PS: A defender of Deloitte steps forward to say, hey, Accenture has screwed up too. [See North Carolina.](#)

Max Brantley

Editor of the Times since it became a weekly in May 1992.

< [Previous article](#)
The Greedy on Issue 1 Edition

[Next article](#)
San Francisco Giants respond to owner's contribution to racist ad for French Hill >

Tags

[Arkansas Human Services](#) [Arkansas Medicaid Eligibility](#)
[Deloitte](#)

Share

Note to commenters: Due to issues with spam/scams and complaints with our former comments system, we have implemented a **new system called Hyvor**. You must **create a new account** (separate from any paywall accounts you may have) in order to leave a comment. The First and Last name field will display as your author name, so use a psuedonym if you want to retain anonymity. [More info](#)

ADVERTISEMENT

COPYRIGHT ©2019, ALL RIGHTS RESERVED • [PRIVACY POLICY](#)

EXHIBIT I

Advertisement

Ohio Politics

State reveals \$1.2 billion Ohio Benefits system riddled with defects a year out from Medicaid work requirements

Updated Jan 16, 2020; Posted Jan 14, 2020



332
shares

By [Laura Hancock, cleveland.com](#)

COLUMBUS, Ohio – The state’s technology system that determines whether adults and children are eligible for Ohio Medicaid has nearly 1,100 defects, the department’s director announced Tuesday.

Ohio Benefits, an information technology system that has cost the state \$1.2 billion since it was implemented six years ago, has been found to overwrite and eliminate historical documentation needed to prove Ohio Medicaid enrollees’ eligibility. It has ascribed incorrect dates for benefit renewals, or has failed to trigger renewals at all. The system has incorrectly linked newborns to people who are not their parents -- at one time linking a baby to an 11-year-old child.

Advertisement

The defects have become apparent to Ohio Medicaid Director Maureen Corcoran, who took over the department for Gov. Mike DeWine, throughout 2019 in various state and federal audits and internal reviews. She described the problems in a 13-page memo to DeWine at the end of the year, made public Tuesday.

Advertisement

(Read the memo below. Some readers may need to [visit this link](#) to read the memo.)

“It has become clear that the state of (the) Medicaid program, as we inherited it, was a mess,” Corcoran wrote in the memo, which outlines other issues that go beyond Ohio Benefits.



What is Medicaid? Your questions answered.

But a spokesman for former Gov. John Kasich defended his record.

Jim Lynch said that when the former governor came into office there was an \$8 billion shortfall, in part due to unsustainable Medicaid growth.

“So, we got to work to reform the program, cut the cost growth from 9% to below 4%, and covered 700,000 more people,” Lynch said. “The state’s leadership now has the opportunity to build on eight years of progress, further fine-tune a complex program, and reassure Ohioans that critical health care services will be there when they need them.”

Medicaid is a joint state and federal program that offers health care to disabled and low-income Ohioans. The legislature ordered Ohio Medicaid to require many able-bodied adults to work part time or attend school to obtain health care. The federal government has OK’d Ohio’s work requirement plan, and it is expected to begin Jan. 1, 2021.

Corcoran said the state hopes to hit that timeline. However, the devil is in the details about whether work requirements will be successful. If Corcoran doesn’t feel confident that the improvements to Ohio Benefits will be made by next year, there may be delays.

“If we get up to the point of implementation and we don’t have confidence that this is going to be done right, then we will pause,” she said.



Planned Ohio Medicaid work requirements call for case workers to contact recipients before they're cut off

Work requirements

The Ohio General Assembly had required the Kasich administration to begin preparing a work requirement plan -- which needed federal approval -- in June 2017. Corcoran said communication with the federal government appeared to stall under Kasich.

The DeWine administration had to pick up negotiations with the federal government shortly after DeWine took office, she said. Federal approval of Ohio's work requirements didn't occur until March 2019.

While working with the federal government takes time, Corcoran said that 21 months was an "extended period" and shows Kasich's employees did not prioritize it.

"It clearly was not a priority for the prior administration, and that is not the way we want to operate," she said.

It's not the first time Corcoran said she's worked to clean up problems from the Kasich administration. When she started as Medicaid director, [she heard](#)

[criticisms](#) that the department under Kasich wasn't transparent.



New Ohio Medicaid director pledges transparency

Other problems

Other problems with Ohio Benefits described in the memo:

- The system allows duplicate member identifications, potentially resulting in paying a managed care plan more than once for the same person.
- The system isn't tracking whether it is properly submitting all required IRS forms.
- Errors caused hundreds of privacy lapses in which Medicaid enrollees received mail for other enrollees, and enrollees have been able to access the portals of other members. Corcoran said that everyone who was affected was notified and received free credit monitoring from the state.
- The system auto-populates new browser windows when a

case worker does not close a prior case file, which can result in the wrong data uploaded into a case file.

- County workers report that the Ohio Benefits system is causing some individuals' applications for benefits to disappear.
- The system allows multiple ways of inputting data such as "male," "m," "ma," or "2," which can cause problems when assessing and aggregating data.

"It just doesn't sound like the system is working," said John Corlett, a former Ohio Medicaid director and president of the Center for Community Solutions, a health care think tank.

"They say they're faced with 1,100 system defects," he said. "And because of those defects, they say they have to do 1,765 workarounds. That means the case worker has to do a manual process when they encounter a defect. That creates lots of extra work for county case workers. This is probably part of the challenge with why we've seen so many people drop off the system."

Corcoran -- quoting from a federal audit -- said there's no evidence that people been found ineligible for the program.

Ohio Medicaid, which covered 2.7 million Ohioans in December, [has experienced decreases in enrollment](#) for children and adults, which the state has attributed to a number of factors, including the improving economy and problems with Ohio Benefits.



Ohio Medicaid enrollment for children and adults is falling. 6 possible reasons why.

"Do I believe that Ohio Benefits is a bigger contributor than I previously thought? My answer is no," Corcoran said Tuesday. "We have always included IT systems concerns as being a variable here."



Number of uninsured Ohio kids increases by 28 percent – 7th highest jump in U.S.

Other effects?

In addition to Ohio Medicaid, the Ohio Department of Job and Family Services uses Ohio Benefits to manage eligibility for the cash welfare program, known as Temporary Assistance for Needy Families, or TANF, and food stamps, known as the Supplemental Nutrition Assistance Program, or SNAP.

“There were a handful of incidents in 2019 caused by computer error that affected fewer than 1,000 Ohioans receiving JFS benefits, but our experience has not been to the degree of that of Medicaid,” said Bret Crow, a JFS spokesman.

In February, [food banks said](#) there were problems with the system.

Who developed Ohio Benefits?

The state doesn't own Ohio Benefits, but licenses it from Accenture, which owns the system. Accenture and other contractors customized the system to meet Ohio's specific needs.

Ohio Benefits was implemented in 2013 to comply with the Affordable Care Act. It replaced a 30-year-old system. Ohio Benefits was intended to be a

simplified, one-stop application process for various benefits, according to Corcoran's memo.

"Highlighted as a priority for the last administration, numerous components and functionality were added," Corcoran's memo states. "Unfortunately, it appears that the messaging may have been more important than the basic functioning of the system, which calls into question our ability to trust the data output from the system to make multi-billion-dollar decisions."

The federal government didn't keep its regular schedule of audits as it was implementing Obamacare, which means some of the technology issues went undetected for years.

"We're not contemplating a change in the vendor," Corcoran said. "...If we come to a different conclusion as we get to the heart of these things, then we as an administration will make that decision."

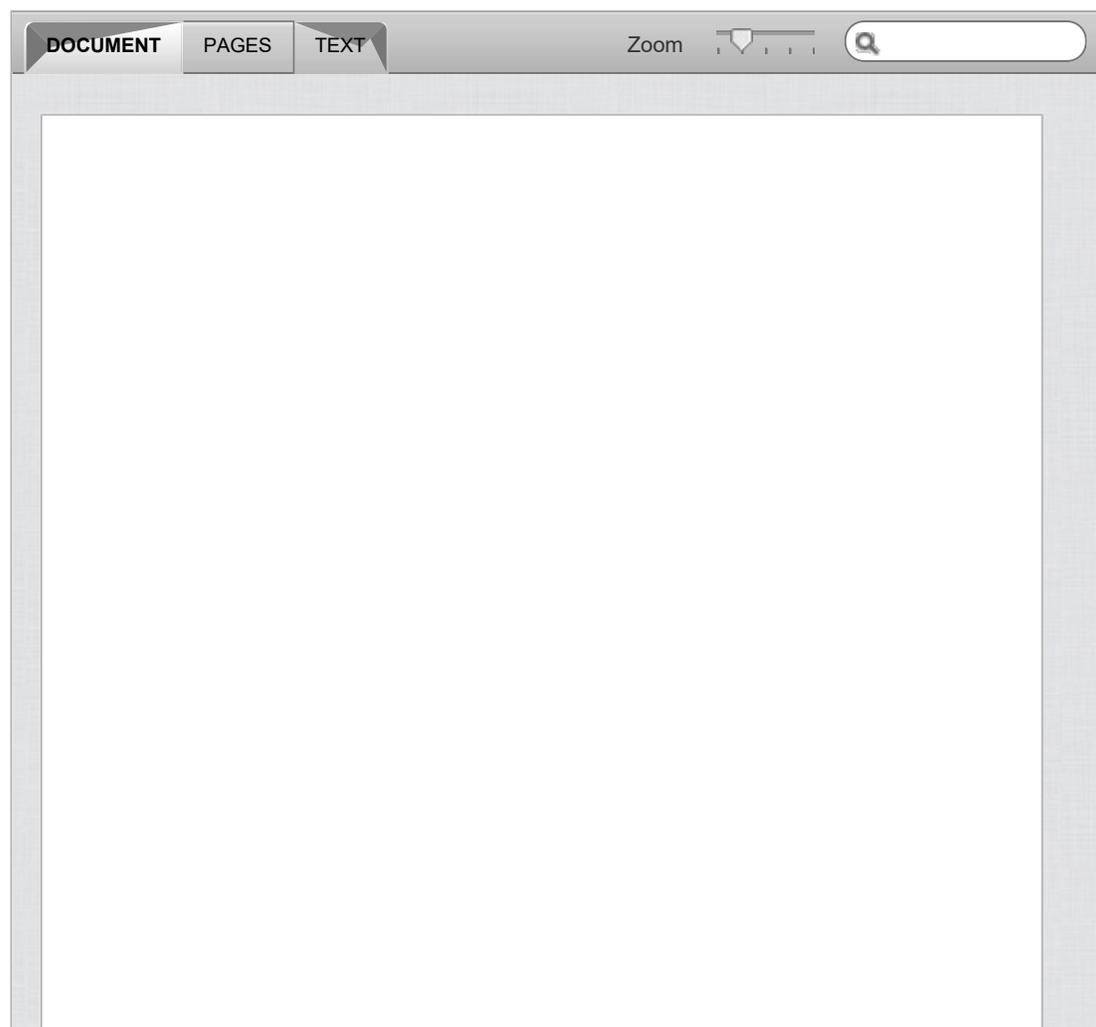


EXHIBIT J

Kansas Launches Final Phase Of Troubled Enrollment System

KCUR | By Stephen Koranda

Published September 26, 2017 at 11:42 AM CDT



File Photo / Kansas News Service

Glen Yancey, who helped oversee the launch of a benefits enrollment system for the Kansas Department of Health and Environment, said he and others working on the project learned from early stumbles.

The overhaul of the Kansas computer system for processing welfare and Medicaid applications recently went through its final implementation phase. State officials say the process went smoothly, especially compared to the system's initial rollout that delayed thousands of Medicaid applications.

The Kansas Eligibility Enforcement System, or KEES, combines the processing for Medicaid and welfare benefits. The more than \$200 million system got off to a rocky start with [delays before its eventual 2015 launch](#) and backlogs for Medicaid applicants.

The new section of the project focused on welfare benefit applications and family services. Glen Yancey, who helped oversee the project for the Kansas Department of Health and Environment, said he and others working on the project learned from those early stumbles.

"As time goes on, people get more experienced," Yancey said. "As those people go through and do that work they get better at it, so they're better at anticipating the business needs and how to implement that."

The state worked with a private contractor, Accenture, to develop KEES, which was

some of the problems with KEES, including the fact that the state is unlikely to see the system's projected \$300 million savings.

RELATED STORY: Behind the backlog: The problem-plagued rollout of Kansas' Medicaid enrollment system

The system was down from August 19 to August 27 during the recent upgrade, which was a shorter outage than originally planned.

Robert Choromanski, executive director of the Kansas Organization of State Employees, said not all information migrated properly to the new welfare system during the August upgrade. That means workers will need extra time to go through benefit applications that piled up while the system was down.

"It's just taking a long time," he said. "Hopefully over the next couple of weeks, as more and more employees get familiar with KEES, the new system, the processing times will get a little bit faster."

Yancey said welfare benefit applications that would normally take about 10 days to process are currently taking around 14 days.

The update also indirectly affected Medicaid applications. Medicaid services were merged into KEES during the first phase of the program, but Angela de Rocha, spokeswoman for the Kansas Department for Aging and Disability Services, said the system for Medicaid applications was also down during the latest upgrade.

"Medicaid application processing continued. They just couldn't use the electronic system," de Rocha said.

She said the outage did increase a backlog of applications waiting to be processed, but she didn't specify by how much. As of now, there are around 2,500 Medicaid applications that have been in the system for more than 45 days. Almost half of those are delayed, she said, because the applicant needs to provide additional information.

De Rocha said state officials have added staff to reduce the number of applications in the backlog.

"Managers believe we will be back down to where we should be shortly," de Rocha said.

The number of [delayed Medicaid applications ballooned](#) after the health insurance program was merged into KEES, hitting a [high of nearly 8,000 applications](#) in the system for more than 45 days in 2015.

Last year, some Kansas nursing homes [reported financial issues](#) while awaiting Medicaid renewals for residents.

Stephen Koranda is Statehouse reporter for Kansas Public Radio, a partner in the Kansas News Service. Follow him on Twitter [@kprkoranda](#).

Tags

Government

Kansas News Service

Medicaid

KDHE

Digital Post



Stephen Koranda

Stephen Koranda reports on the Kansas Legislature, state government and everything else for Kansas Public

KCUR

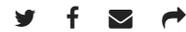
All Things Considered

HEALTH CARE

Kansas Medicaid full of problems, but contractor says it shouldn't take all the blame

BY ANDY MARSO

FEBRUARY 18, 2019 05:30 AM , UPDATED FEBRUARY 18, 2019 10:50 AM



Nyoka Isabell is trying to get her dad, Herbert Shaffer, 88, approved for Kansas Medicaid. His application has been pending for almost a year. BY [TAMMY LJUNGBLAD](#) | [ANDY MARSO](#)

**Listen to this article now**12:03 Powered by [Trinity Audio](#)

Herbert Shaffer worked for decades doing carpentry, building metal outbuildings and stripping out old railroad boxcars, all the while paying taxes in Kansas and pinching what pennies were left for later in life.

Like many Americans, he outlived those savings after he moved into a nursing home. So last March, his daughter, Nyoka Isabell, helped him apply for Medicaid to pay for his bed at Lakeview Village in Lenexa. Then they waited. And waited.

Nearly a year later, they were still waiting — two of the thousands of Kansans frustrated by an application process that has been bogged down for the better part of three years.

TOP ARTICLES



Boy, 10, finds unidentified human remains in Shoal Creek area of Kansas City: police

“He worked his tail off and had to spend his money to pay for his care and now we’re at where we’re at,” Isabell said. “He still needs care, but I can’t afford it and he definitely can’t afford it.”

For the past year Isabell has been making regular calls to the KanCare Clearinghouse, a facility in Topeka where Medicaid applications are processed. It is staffed by a mix of state workers and employees of a contractor called Maximus.



“He still needs care, but I can’t afford it and he definitely can’t afford it,” Nyoka Isabell says of her father, Herbert Shaffer, who lives at the care center at Lakeview Village in Lenexa. Tammy Ljungblad
TLJUNGBLAD@KCSTAR.COM

Breaking news & more

Sign up for one of our many newsletters to be the first to know when big news breaks

[SIGN UP](#)

After three years of Kansans and nursing home representatives complaining about long delays in getting Medicaid approved, big changes appear to be in store for the Clearinghouse, as Gov. Laura Kelly has proposed minimizing Maximus’ role.

But in an interview in Topeka Feb. 12, Maximus officials said they have taken an unfair share of heat for the problems at the Clearinghouse.

On the date of the changeover, Maximus received about 3,800 partially completed applications. Getting up to speed on those, with a workforce still new to the more complex applications, was hard enough, Maximus officials said.

But they were also using a new computer system beset with problems that required time-sucking workarounds.

That technology — the Kansas Eligibility Enforcement System, or KEES — was developed by another big-name government contractor, Accenture. The initial contract called for the state to pay Accenture \$135 million, but the [Legislature's auditors determined](#) that the project went over budget by about \$46 million as its initial rollout was delayed by years while developers tried to work out the bugs.

There were still plenty of bugs once it rolled out, though, Maximus officials said.

Members of the Colyer administration said Maximus intentionally low-balled its bid on the Clearinghouse project to get the contract. But while Maximus officials acknowledged they were initially understaffed, they said it was because they based their bid on the computer system Accenture promised, not the one it delivered.

Ilene Baylinson, the manager of Maximus' U.S. health division, said the company knew it would probably take a little longer with a system that was processing all types of Medicaid applications. But they had no idea just how much longer it would take with KEES.

“The actual time it took to process an application for just family Medicaid from how we did it in our system to how long it took in the new system was more than double,” Baylinson said. “And we never could have anticipated that.”

Under federal law, most Medicaid applications are supposed to take no more than 45 days to process. But thousands of Kansans had to wait longer than that, [forming such a backlog](#) that KDHE had to submit to federal monitoring.

The delays hit nursing homes particularly hard financially because they rely heavily on Medicaid reimbursements.



Herbert Shaffer is a lifelong woodworker and still makes wood trucks at Lakeview Village in Lenexa. Tammy Ljungblad TLJUNGBLAD@KCSTAR.COM

Baylinson said Maximus did its part to address the backlog, hiring dozens of people “on our nickel” and forming specialized teams to work directly with nursing homes that had a lot of residents with pending applications.

The backlog is now way down — below 1,000 — and the nursing homes say things have improved. But there are still cases like Isabell’s 88-year-old father, which Maximus officials said means the initial backlog itself couldn’t have been responsible for all the delays.

KEES still has two glaring shortcomings, they said. For one thing, it has no workflow management function that would provide daily reports on applications processed and received and alerts when applications are approaching 45 days. Maximus had to make its own system for that.

KEES also has no way for applicants to upload financial documents digitally. KDHE is working on a secure upload portal, but for now, supporting documents often have to be faxed or sent by traditional mail to a mailroom run by yet another state contractor.

All of which provides extra opportunities for documents to be misfiled, not received or otherwise not attached to their underlying application. Kansans' complaints about being asked to submit the same forms over and over again are well taken, Baylinson said, but not something Maximus has full control over.

"In most states that we work with, they've basically eliminated paper," Baylinson said.

Accenture spokesman Joe Dickie said via email that, "We remain focused on continuing to meet our responsibilities on KEES" and referred other questions to KDHE.

KDHE secretary Lee Norman said the agency's new leadership is "committed to holding contractors accountable, addressing the application backlog and improving services to Kansans."

"That means addressing any challenges with the state's computer programs and technology as well," Norman said.

CONCERNS REMAIN

Hawkins said that if Maximus officials were concerned about KEES or other aspects of the Medicaid system, the company should have raised those issues years ago, rather than waiting until its contract was in jeopardy.

Maximus officials said they have raised issues privately with KDHE, and the current administration seems more receptive to fixing the problems. But until recently they thought it was better to stay behind the scenes.

"We tend to be a silent partner and operate our programs on behalf of our clients and focus on what we're paid to do," said Lisa Miles, the company's vice president of investor relations and corporate communications.

She, Osterlund and Baylinson said they're going public now to "correct misinformation" about the company's performance on the Medicaid contract.

But there have also been complaints about aspects Maximus directly controls, including the Clearinghouse's customer service call center. While complaints of hours-long hold times have lessened, Isabell said she's been calling regularly for months, and it wasn't until recently that she reached an employee who seemed to take a genuine interest in making sure her dad's case was completed.

"It's been like pulling teeth, seriously," Isabell said. "In general, the call center reps, as polite as they may be, they haven't been very helpful to me."

Nursing home officials have run out of patience, too, after years of unpaid bills. [Many have stopped taking](#) in new people if their Medicaid application is still pending.

Rodney Whittington, the administrator of Villa St. Francis in Olathe, which serves more Medicaid residents than any other nursing home in the state, said that at one point, about one-fourth of his 170 residents had applications pending, and the facility was carrying \$2.5 million in unpaid accounts receivable.

Whittington and other nursing home administrators testified last week for [a bill](#) that would force Maximus or any other contractor the state might hire to pay nursing homes a penalty fee for every day past the federal standard that applications are pending.

Maximus opposed the bill, saying that sometimes applications must go beyond 45 days, like when Adult Protective Services is investigating suspected financial abuse of an elder.

Nursing homes generally get back pay once applications are approved, but that often doesn't happen if residents die while awaiting approval, because it gets harder for families to complete the process and nursing homes are reluctant to ask them to at that point.

And back pay doesn't always make up for the cash flow problems. Villa St. Francis is affiliated with the Catholic Church and could lean on the Archdiocese for financial support, but other facilities had to take out bank loans (and pay interest) to get them through. Some reported losing longtime vendors for things like food service because they weren't able to pay on time.

Whittington said Maximus' specialized nursing home teams are an improvement, but the company's workers still seem under-trained and less knowledgeable about the more complex Medicaid applications than the state workers who used to handle them.

Re-hiring and training a new state workforce to take over takes time, though. Kelly's initial budget proposal called for it to happen in July, but KDHE officials said recently they're now looking at the end of the year.

Several nursing home administrators said what would really help is if the state not only took back control of application processing, but also restored the regional offices where people could walk in for face-to-face help.

Isabell said she's also all in favor of that.

"So you could hold somebody accountable, yes," Isabell said.

The Kelly administration wouldn't say whether that's in the cards but suggested they're considering it.

"The governor is also interested in looking at different ways to make the application process more streamlined, and possibly provide more hands-on assistance to applicants," said Norman, the state health secretary. "We will be looking at ways to accomplish this in the coming months."

Meanwhile, a KDHE spokesman said Isabell's father was approved for Medicaid Feb. 13 — the day after The Star asked Maximus officials about his case — and a notice of approval was in the mail. He said Lakeview Village would be eligible for Medicaid payments back to March 2018, and the agency would try to determine what happened to the application during the year it was pending.

RELATED STORIES FROM KANSAS CITY STAR

HEALTH-CARE

Kelly calls for 300 more workers to fix 'cluster-mess' KanCare application center

JANUARY 18, 2019 4:34 PM

HEALTH-CARE

KanCare contractor fails to meet deadline to improve service and may face fines

JUNE 08, 2018 11:11 AM

HEALTH-CARE

KanCare changes leave seniors struggling to get, keep Medicaid coverage

FEBRUARY 22, 2018 5:30 AM



They said they've improved their performance, but they're just one part of the broken system, and it will do no good to cut them out of the process.

"Whether Maximus is doing it or not doing it, it's still broken," said Christine Osterlund, the KanCare Clearinghouse project director for Maximus. "And so our goal is to identify where all those breaks are and it's going to take all the partners together. It's not something that Maximus can solve, it isn't something that KDHE (Kansas Department of Health and Environment) can solve on its own, it's not something the nursing facilities (can solve). We all need to come together and work through these issues. That's what's going to make the system work."

Maximus' Clearinghouse contract has been worth, at minimum, about \$17 million a year.

4TH OF JULY SALE!

Save 68% on unlimited digital access. Subscribe for only \$5 per month.

[VIEW OFFER](#)

In her first budget, Kelly, a Democrat, proposed [hiring 300 state workers](#) to take some of the most complex applications away from Maximus. Her administration also wants to eventually re-open bidding for the rest.

It appears Republicans are unlikely to fight her on it. Officials who led KDHE under her Republican predecessor, Jeff Colyer, recommended the same thing, said House Majority Leader Dan Hawkins, a Republican from Wichita who has clashed with Kelly over other issues.

"They were emphatic it was time to make a change," Hawkins said. "It's truly one of our biggest headaches."

THE HISTORY

To understand how applying for Medicaid became so frustrating for so many Kansans, you have to understand the program's recent history.

Maximus has been helping the state process some applications for about 20 years, but for most of that time the contractor handled only a certain type: family medical applications that are mostly for children and pregnant women. The company evaluated those applications and then made recommendations to state health officials, who had the final say on whether to approve or deny.

Applications for people who are elderly and disabled and need care at home or in a nursing home were processed by state workers from another agency in offices across the state, where people could walk in and get face-to-face help. Those applications are much more complex than the family medical applications and often require reams of financial data.

At the beginning of 2016, then-Gov. Sam Brownback used an executive order to funnel all of the applications together in a single entity: the KanCare Clearinghouse.

The goal was to make things more efficient. But that wasn't the result.



Nyoka Isabell was trying for almost a year to get her dad, Herbert Shaffer, 88, approved for Kansas Medicaid. Shaffer lives at the care center at Lakeview Village in Lenexa, but money was running low. TAMMY LJUNGBLAD TLJUNGBLAD@KCSTAR.COM



ANDY MARSO

   816-234-4055

Kansas City Star health reporter Andy Marso was part of a Pulitzer Prize-finalist team at The Star and previously won state and regional awards at the Topeka Capital-Journal and Kansas Health Institute News Service. He has written two books, including one about his near-fatal bout with meningitis.

 [COMMENTS](#) 



READ NEXT

CORONAVIRUS

COVID-19 mask orders in Kansas City area have exemptions that some don't want or need

BY LISA GUTIERREZ

JULY 06, 2020 05:00 AM , UPDATED 6 HOURS 23 MINUTES AGO



New coronavirus mask mandates in Kansas City and in Kansas and Missouri counties offer exemptions for medical conditions and disabilities. But some people, like members of the deaf community, don't want a pass.

KEEP READING →

TRENDING STORIES

Man who shot Kansas City police officer was in mental health crisis, family says

UPDATED JULY 05, 2020 11:58 AM

Protesters burn flag, decry 'empty promises' in a march following Freedom Rally

UPDATED JULY 05, 2020 01:27 AM

Strip club employees, customers hit with coronavirus outbreak, Michigan officials say

JULY 05, 2020 4:12 PM

COVID-19 mask orders in Kansas City area have exemptions that some don't want or need

UPDATED 6 HOURS 23 MINUTES AGO

Invisible man? Embattled KCPD chief faces a city sharply divided over his performance

UPDATED JULY 05, 2020 09:39 AM

4TH OF JULY SALE!

#ReadLocal

Save 68% on unlimited digital access. Subscribe for only \$5 per month.

[VIEW OFFER](#)

HPPR OFFERS TWO STREAMS FOR YOUR LISTENING PLEASURE. CLICK HERE TO LEARN HOW TO LISTEN. (<http://hppr.org/how-listen>)

State contractor oversight criticized in wake of Medicaid mistake

By [ANDY MARSO \(/PEOPLE/ANDY-MARSO\)](#) • JUN 23, 2016

- 🔗 [Share \(http://facebook.com/sharer.php?u=https%3A%2F%2Fwww.hppr.org%2Fpost%2Fstate-contractor-oversight-criticized-wake-medicaid-mistake&t=State%20contractor%20oversight%20criticized%20in%20wake%20of%20Medicaid%20mistake\)](http://facebook.com/sharer.php?u=https%3A%2F%2Fwww.hppr.org%2Fpost%2Fstate-contractor-oversight-criticized-wake-medicaid-mistake&t=State%20contractor%20oversight%20criticized%20in%20wake%20of%20Medicaid%20mistake)
- 🐦 [Tweet \(http://twitter.com/intent/tweet?url=https%3A%2F%2Fwww.hppr.org%2Fpost%2Fstate-contractor-oversight-criticized-wake-medicaid-mistake&text=State%20contractor%20oversight%20criticized%20in%20wake%20of%20Medicaid%20mistake\)](http://twitter.com/intent/tweet?url=https%3A%2F%2Fwww.hppr.org%2Fpost%2Fstate-contractor-oversight-criticized-wake-medicaid-mistake&text=State%20contractor%20oversight%20criticized%20in%20wake%20of%20Medicaid%20mistake)
- ✉ [Email \(mailto:?\)](mailto:)
subject=State%20contractor%20oversight%20criticized%20in%20wake%20of%20Medicaid%20mistake&body=https%3A%2F%2Fwww.hppr.org%2Fpost%2Fstate-contractor-oversight-criticized-wake-medicaid-mistake

From the Kansas Health Institute (<http://www.khi.org/news/article/contractor-state-oversight-criticized-in-wake-of-medicaid-mistake>):

Accenture faces \$750,000 fine for incorrect reporting of application backlog.

News of a mistake that dropped several thousand Kansans from state Medicaid backlog reports has advocates and Democratic lawmakers questioning the state's oversight of the contractor blamed for the error.

Susan Mosier, secretary of the Kansas Department of Health and Environment, sent a letter to federal officials June 10 to let them know that the reports they had been receiving since February (<http://www.khi.org/news/article/cms-scrutinizing-efforts-to-ease-kansas-medicaid-backlog>) — which showed the state's backlog of Medicaid applications steadily declining — were inaccurate.



(https://mediad.publicbroadcasting.net/p/hppr/files/styles/x_large/public)

CREDIT HEALTH BY GOT CREDIT / FLICKR CREATIVE COMMONS

The state had previously reported that the backlog of new applications awaiting processing as of May 8 was 3,480 and about 2,000 of those had been pending more than 45 days. After the reporting error was corrected, the state reported that as of May 22, the total backlog of new applications was 15,393 and nearly 11,000 of them had been waiting more than 45 days — the limit set by the federal Centers for Medicare and Medicaid Services.

Download the Letter to CMS Officials from KDHE Secretary Mosier (http://www.khi.org/assets/uploads/news/14428/ks_backlog_6.16.pdf)

Mosier placed responsibility for the error on a state contractor not named in the letter.

Angela de Rocha, a spokeswoman for state agencies, said Monday that the contractor in question is Accenture, the multinational firm that Kansas paid to build a new software platform for determining Medicaid eligibility called the Kansas Eligibility Enforcement System, or KEES. But she said the state is accountable for oversight.

"It's ultimately our responsibility to get people's applications determined, to get their eligibility determined," de Rocha said. "But this is a setback."

De Rocha said the state plans to withhold \$750,000 from Accenture's contract, which was extended through 2021 last year and is worth more than \$250 million altogether.

Accenture spokeswoman Deirdre Blackwood said via email that the company did not make an error and was giving KDHE the information it requested.

"KDHE then refined how it wanted the numbers compiled and we worked with the state to revise the reports," Blackwood said.

Blackwood said the changes in reporting didn't affect the state's ability to pare down the backlog.

Legislators voted in April to audit (<http://www.khi.org/news/article/legislative-committee-declines-audit-of-same-sex-adoptions>) the Medicaid backlog, which began to develop last year after KEES went live. A previous audit, ordered after more than a year of KEES delays, revealed that Accenture had promised more than it could deliver (<http://www.khi.org/news/article/behind-the-backlog-of-kees-applications>) when it signed the initial contract with the state.

Medicaid, which in Kansas is a privatized program called KanCare, is funded through a combination of state and federal dollars. Most of the funding for KEES came from federal coffers.

“It’s ultimately our responsibility to get people’s applications determined, to get their eligibility determined. But this is a setback.”

– - *Angela de Rocha, a spokeswoman for state agencies*

–

Sean Gatewood, a former Democratic lawmaker who represents people on Medicaid through a group called the KanCare Advocates Network, said it’s time for executive branch officials and legislators to ask tough questions about Kansas’ ability to hold contractors accountable.

“The underlying thing is, the state’s not watching the problems,” he said.

Gatewood said he hoped CMS officials would force accountability.

A CMS spokeswoman did not respond to a request for comment Monday.

Sen. Laura Kelly, the top Democrat on the Legislature’s KanCare oversight committee, likened the KEES failures to the rocky Division of Motor Vehicles software switch (<http://cjonline.com/news/state/2014-10-02/audit-reveals-flaws-kansas-motor-vehicle-drivers-license-overhaul>) by another contractor, 3M Company.

She said she doubted the state had enough top information technology talent to make sure contractors live up to agreements.

“Whenever you do a massive database software switch, there are going to be issues,” Kelly said. “I think that’s why you have to have very technically skilled people overseeing the process to protect the state’ interests.”

Turnover at the top

Some of the job positions designated to provide KEES oversight recently have been vacant.

Glen Yancey (<https://www.linkedin.com/in/glen-yancey-73987912>), chief information officer for KDHE, remains in place after three years as executive director of KEES.

But the agency is without a KEES project manager following April Nicholson’s move (<https://www.linkedin.com/in/april-nicholson-pmp-5547244a>) to the Department of Commerce in May. And the director of Medicaid eligibility position was vacant for more than a month until Kim Burnam was hired to replace Darin Bodenhamer (<https://www.linkedin.com/in/darin-bodenhamer-47515b60>) in early June.

State officials have not said whether Bodenhamer quit or was fired.

De Rocha said the error in the backlog reports occurred because Kansans who reapplied for Medicaid after being denied were not being counted.

She said eligibility workers noticed that reapplications were not showing up in the uncompleted section of KEES and flagged the problem.

“So the system itself actually helped us catch this reporting mistake,” de Rocha said.

The reporting error came to light as advocates who help Kansans apply for Medicaid said they were seeing an increase in applications denied incorrectly (<http://www.khi.org/news/article/state-works-to-clear-medicaid-backlog-but-complaints-continue>).

Accenture develops software for government agencies across the country but has a checkered history (https://www.washingtonpost.com/politics/accenture-hired-to-fix-healthcaregov-has-troubled-past/2014/02/09/3d1a2dc4-8934-11e3-833c-33098f9e5267_story.html). Shortly after signing the KEES contract in 2011, the company paid about \$64 million to settle a lawsuit (<https://www.justice.gov/opa/pr/accenture-pays-us-63675-million-settle-false-claims-act-allegations>) alleging kickbacks and other misdeeds in numerous federal IT projects. It has faced scrutiny more recently for cost overruns and delays on projects in Texas (<https://www.texastribune.org/2016/05/27/texas-child-support-overhaul-double-420-million/>) and California (<http://www.sacbee.com/news/politics-government/the-state-worker/article9918857.html>).

Kelly said it’s probably not feasible to seek another IT company to troubleshoot KEES, given the investment Kansas has made in Accenture and the state’s ongoing budget problems.

“I think it’s difficult to cut the cord, particularly when we don’t have a replacement in mind and we don’t have any money to get something new,” she said.

Blackwood, who works in Accenture's Arlington, Va., location, said that "Accenture is meeting its contractual commitments to KDHE" and referred further questions to de Rocha.

A receptionist at Accenture's KEES project office in downtown Topeka said the only person authorized to talk about the project was managing director Raymond Han (<https://www.linkedin.com/in/raymondhan>), who was on a conference call at the time.

A message left for Han was not returned Monday.

A visitor sign-in list at Accenture's Topeka office showed that Phyllis Gilmore, secretary of the Kansas Department for Children and Families, attended a meeting there Friday.

DCF spokeswoman Theresa Freed said it was a routine weekly meeting to talk about KEES.

Consequences

DCF workers processed some Medicaid applications until January, when KDHE took over operations at a centralized KanCare Clearinghouse.

Some DCF workers returned to help about a month later after the backlog ballooned following the Affordable Care Act's open enrollment period. Mosier, in her June 10 letter to federal officials, said they will remain on that job in light of the corrected backlog numbers.

Mosier also said temporary KDHE staff hired through the end of June would be kept on past that date, overtime would be authorized for state and Accenture workers on the project, and resources would continue to be shifted to help trim the list.

De Rocha said the corrected backlog numbers were disappointingly high and frustrating for state officials as well as Medicaid applicants.

"All of that said, we should have this backlog problem solved by the end of the summer," de Rocha said.

Meanwhile, the glut of unprocessed applications continues to affect thousands of low-income Kansans waiting on their Medicaid cards, most of whom are elderly, disabled, pregnant or children.

The wait for coverage also is affecting those who provide services to those groups. Nursing homes were among the first to raise alarms about long wait times (<http://www.khi.org/news/article/administration-hears-from-nursing-homes-on-medicaid-problems>).

Cindy Luxem, president and CEO of a senior services organization called the Kansas Health Care Association, said her group recently surveyed its members about their outstanding bills for residents whose Medicaid applications are pending.

Download the Kansas Health Care Association Survey on Outstanding Medicaid Payments (http://www.khi.org/assets/uploads/news/14428/khca_survey_results.xlsx)

More than 100 nursing homes and providers of home and community-based services responded. Five nursing homes reported having at least one resident whose application had been pending a year or more.

One nursing home company reported 84 residents with pending applications and more than \$750,000 in outstanding Medicaid claims.

Luxem said news of the higher backlog numbers made sense to her, in light of the survey responses.

"It did not surprise me when the story came out," she said. "Because I believe we probably had several hundred in that list."

The nonprofit KHI News Service is an editorially independent initiative of the Kansas Health Institute and a partner in the Heartland Health Monitor reporting collaboration. All stories and photos may be republished at no cost with proper attribution and a link back to KHI.org when a story is reposted online.

TAGS: [KHI \(/TERM/KHI\)](#) [KANSAS HEALTH INSTITUTE \(/TERM/KANSAS-HEALTH-INSTITUTE\)](#) [MEDICAID \(/TERM/MEDICAID\)](#)

 [Share \(http://facebook.com/sharer.php?u=https%3A%2F%2Fwww.hppr.org%2Fpost%2Fstate-contractor-oversight-criticized-wake-medicaid-mistake&t=State%20contractor%20oversight%20criticized%20in%20wake%20of%20Medicaid%20mistake\)](http://facebook.com/sharer.php?u=https%3A%2F%2Fwww.hppr.org%2Fpost%2Fstate-contractor-oversight-criticized-wake-medicaid-mistake&t=State%20contractor%20oversight%20criticized%20in%20wake%20of%20Medicaid%20mistake)

 [Tweet \(http://twitter.com/intent/tweet?url=https%3A%2F%2Fwww.hppr.org%2Fpost%2Fstate-contractor-oversight-criticized-wake-medicaid-mistake&text=State%20contractor%20oversight%20criticized%20in%20wake%20of%20Medicaid%20mistake\)](http://twitter.com/intent/tweet?url=https%3A%2F%2Fwww.hppr.org%2Fpost%2Fstate-contractor-oversight-criticized-wake-medicaid-mistake&text=State%20contractor%20oversight%20criticized%20in%20wake%20of%20Medicaid%20mistake)

 [Email \(mailto:?\)](mailto:?subject=State%20contractor%20oversight%20criticized%20in%20wake%20of%20Medicaid%20mistake&body=https%3A%2F%2Fwww.hppr.org%2Fpost%2Fstate-contractor-oversight-criticized-wake-medicaid-mistake)



[\(/post/new-hope-struggling-hospital-southwest-kansas\)](#)

1.800.678.7444

210 N 7th Street, Garden City, KS 67846

104 SW 6th Ave, Suite B4, Amarillo, TX 79101

© 2020 HPPR

EXHIBIT K



Health and Human Services Commission

**Texas Integrated Eligibility Redesign System
and Eligibility Supporting Technologies**

**Quarterly Report
to the
Legislative Budget Board and the Governor's Office**

**As Required by Rider 217
Article II, HHSC, 2018-19 General Appropriations Act**

April 1, 2019

Table of Contents

1. OVERVIEW	3
2. ACCOMPLISHMENTS	4
2.1 RELEASE 103.0.1.0, 103.1.0.0, 103.2.0.0 MAJOR ACCOMPLISHMENTS	4
3. PROJECT STATUS	7
4. PROJECT PLAN	8
5. SCHEDULE OF EXPENDITURES	10
6. ACTUAL EXPENDITURES	11
6.1 NEW DEVELOPMENT EXPENDITURES.....	11
6.2 OPERATIONAL EXPENDITURES	11
7. COST SAVINGS	12
7.1 STRATEGIES	12
7.2 ESTIMATED SAVINGS.....	12
8. GOVERNANCE	13

1. Overview

The Health and Human Services Commission (HHSC) is submitting this report to the Legislative Budget Board (LBB) and the Office of the Governor, State of Texas, as required by the 2018-19 General Appropriations Act, 85th Legislature, Regular Session, 2017 (Article II, Health and Human Services Commission, Rider 217) regarding the Texas Integrated Eligibility Redesign System:

217. Texas Integrated Eligibility Redesign System (TIERS).

Included in the amounts appropriated above in Strategy I.3.2, TIERS Capital Projects, is \$53,358,062 in All Funds (\$14,380,037 in General Revenue) in fiscal year 2018 and \$61,010,290 in All Funds (\$16,592,431 in General Revenue) in fiscal year 2019 for capital enhancements and maintenance of TIERS. HHSC shall submit quarterly reports to the Legislative Budget Board and the Governor reflecting actual expenditures, cost savings, and accomplishments implementing the TIERS project. The report shall include a detailed plan for the project, a proposed schedule of expenditures, and the status of capital enhancement and maintenance activities for the TIERS project. Additionally, the report shall include detailed strategies developed and implemented by HHSC to restrict the TIERS project to those items presented and approved by the Eighty-fifth Legislature, 2017.

Notwithstanding Article IX, §14.03, Limitation on Expenditures - Capital Budget, or Article II, Special Provisions Related to All Health and Human Services Agencies, §6, Limitations on Transfer Authority, HHSC may not expend funds in excess of the amounts identified in this section on the TIERS capital project without written approval from the LBB and Governor. A request to exceed the amounts identified in this section shall be considered approved unless the LBB issues a written disapproval within 30 business days after the date the LBB staff concludes its review of the proposal to expend the funds and forward its review to the Chair of the House Appropriations Committee, Chair of the Senate Finance Committee, Speaker of the House, and Lieutenant Governor. Any request for additional information from the LBB shall interrupt the counting of the 30 business days.

2. Accomplishments

HHSC shall submit quarterly reports reflecting accomplishments implementing the TIERS project.

Releases
Release 103 - 100% complete
Release 104 - Cycle 1 - Deployed on December 29, 2018.
Cycle 2 - Deployed on February 2, 2019.
Cycle 3 - Discovery phase completed on January 16, 2019; development and testing progressing; deployment is scheduled for March 9, 2019.
Cycle 4 - Discovery phase completed on February 20, 2019.

2.1 Release 103.0.1.0, 103.1.0.0, 103.2.0.0 Major Accomplishments

Annual December Cost of Living Adjustment

TIERS reflects the 2019 adjustments to Retirement, Survivors, and Disability Insurance (RSDI), Supplemental Security Income (SSI), Railroad Retirement, and Medicare Part B premiums. Monthly income limits for Medicaid for the Elderly and People with Disabilities (MEPD) types of assistance impacted by the SSI standard are also updated.

Client Reminder Notices – 2019

The annual mailing of client reminders occurred in January 2019 for the forms listed below:

- H0401 Health Insurance Portability and Accountability Act (HIPAA) - Privacy Notice;
- Earned Income Tax Credit (EITC) notice;
- Transitional Medicaid Assistance (TMA) notice; and
- Internal Revenue Service (IRS) Form 1095-B notice.

House Bill (HB) 2466 Maternal Depression Screening/Application Changes

HB 2466, passed during the 85th Legislative Session, requires HHSC to include a new question on the applications for medical assistance regarding pregnancy status and provides the individual the option to indicate if they would like to receive health care notifications via certain modalities from their managed care organization or health plan.

HB 337 Suspension and Reinstatement of Medicaid for Individuals Confined to a County Jail

HB 337, passed during the 85th Texas Legislative Session, requires HHSC to suspend or terminate Medicaid eligibility as appropriate for an individual confined in a county jail and to reinstate Medicaid eligibility no later than 48 hours after HHSC has been notified of the individual's release from the county jail. Following the individual's release, the individual remains eligible for the remainder of the certification period for which the individual was certified. Automation changes are necessary to facilitate the suspension and reinstatement of coverage.

Medicaid Customer Service 2-1-1 Interactive Voice Response Updates

Over the past 13 years, HHSC has utilized the Internet Protocol (IP) telephone system to provide callers access to state benefits and local community resources to meet their complex needs. While the programs were accessed using a single-entry point (2-1-1), the programs were developed and maintained as separate services. The business processes established have led to overlapping processes, and duplicative efforts and costs. This project will recognize the unique benefits of each program, build upon the strengths of each, and reduce confusion by removing duplicative business processes and implement best practices. The project will provide a method to better identify needs for change and an established process to implement improvements, resulting in more efficiencies in the use of system and staff resources.

Develop Office of the Attorney General Interface Files

The Office of the Attorney General (OAG) is in the process of replacing their case management system. This is one of many requests to update HHSC interfaces for this OAG change. The project is expected to improve HHSC's ability to communicate the correct information to OAG and process information received from OAG.

Long Term Services and Support Provisioning

This project completed modifications to the Long-Term Services and Support (LTSS) Worker Portal application and the related platform components to permit the same external entity to represent multiple referral doors (e.g., both North Central Texas Area Agency on Aging and North Central Texas Aging and Disability Resource Center referral doors are represented by the same entity), and to perform the user provisioning appropriately.

Production Issue - Consolidated Americans with Disabilities Act Issues found in Form H1233 English and Spanish

Multiple issues have been resolved. These issues included correcting and maintaining the tab order, using the correct bullet point character across all pages, correcting corrupted links and missing locale tag, Spanish Job Access with Speech (JAWS) correctly reading multiple Spanish pages in Spanish instead of English, and JAWS correctly reading the Health and Human Services (HHS) logo on screens.

Desk Reviews for Eligibility Flexible Appointments

The automation of the desk review task is now added to the new Flexible Appointment functionality in TIERS. The desk review task is also added to the Task List Manager task flow.

Expedited Language is added to Hearing and Appeal Notices

To comply with the Code of Federal Regulations ([42 CFR §431.205](#)), language pertaining to requesting an expedited Medicaid fair hearing is added to client hearing notices.

Task List Manager Updates for Eligibility Workload Management System

Two new data elements, channel and community-based organization identification are added to the Task List Manager view used for Eligibility Workload Management System task import. The new data elements will support the ability to track metrics and improve data analysis for multiple initiatives, including the Self-Service Strategy and Community Partner Program.

New DataMart Reports for Data Broker

There are four new DataMart reports created for Data Broker. These reports replace current ad hoc queries. The reports are for National Directory of New Hires, Identity and Authentication, Residence Verification, and Asset Verification System.

Medicare Savings Program Resource Limits

The fixed needs resource limits for all Medicare Savings Programs in TIERS and YourTexasBenefits.com are updated effective January 2019.

Federal Poverty Income Limits

The fixed needs federal poverty income limits in TIERS and YourTexasBenefits.com were updated for the benefit period that begins in March 2019.

Eligibility Search Page

To improve system performance, the default begin date field for eligibility searches is changed from January 2001 to 24 months from the current system date. This change will permit staff to modify the begin date if they need to view more than 24 months of eligibility information.

Legal Aid Office Address Change

The address for the Houston area Lone Star Legal Aid - Clute Office is updated.

Self-Employment Expense Budgeting

TIERS is now calculating budget correctly for prior months when there are self-employment expenses.

Form TF0056 Updates

For this fair hearing form, the phone number and text information are being updated in two phases. Phase one updates the phone number, and phase two updates the messaging language as follows: "If you have questions about this letter or the hearing process or if you want to ask for a hearing, call Medicaid Customer Service 2-1-1 or if you can't connect call us toll free at 1-877-541-7905."

SNAP Benefits - February and March 2019

Due to the federal government shutdown that started in December 2018, the Food and Nutrition Services Department (FNS) notified states in January 2019 that February 2019 Supplemental Nutrition Assistance Program (SNAP) monthly benefits must be made available to clients effective January 20, 2019. The Social Services Application staff took action to bypass normal benefit issuance functionality and issue February benefits on an accelerated schedule. Because of this activity, the Social Services Applications team made adjustments to SNAP benefits in February for the March 2019; adjustments were made to the accessibility dates in an effort to realign them back to the normal monthly benefit distribution schedule. All of this work was coordinated with the appropriate program areas. This work also included generating and sending letters to SNAP households advising them of the changes to their benefit schedules as well as advising them of websites containing further information about the government shutdown. Social Services Applications team members also worked with third-party vendors to send special electronic notifications to clients who had already subscribed to the electronic notice service; notices contained similar information to the paper letters.

3. Project Status

Release 103			
Project Item	Report to Date		
Initial Planned Project Start and Finish Dates	06/11/2018 - 11/17/2018	Baseline Date:	06/11/2018
Last Reported Project Start and Finish Dates	06/11/2018 - 11/17/2018	Baseline Date:	06/11/2018
Current Estimated Project Start and Finish Dates	06/11/2018 - 11/17/2018	Baseline Date:	06/11/2018
Explanation of Variance between Last Reported and Current Start and Finish Dates	No variance in project dates.		
Estimated Percentage of Project Complete	R103 - 100%		
Description of Method Used to Track Progress	HP Project and Portfolio Management Centre (PPM); Microsoft Office Project PPM is used to track and document release activities. PPM is also used for reporting resource hours. Microsoft Office Project is used to track and document project scope and schedule.		

Release 104			
Project Item	Report to Date		
Initial Planned Project Start and Finish Dates	10/18/2018 - 04/13/2019	Baseline Date:	10/18/2018
Last Reported Project Start and Finish Dates	10/18/2018 - 04/13/2019	Baseline Date:	10/18/2018
Current Estimated Project Start and Finish Dates	10/18/2018 - 04/13/2019	Baseline Date:	10/18/2018
Explanation of Variance between Last Reported and Current Start and Finish Dates	No variance in project dates.		
Estimated Percentage of Project Complete	R104 - 75%		
Description of Method Used to Track Progress	HP Project and Portfolio Management Centre; Microsoft Office Project		

4. Project Plan

Project Milestones	Planned Start Date	Actual Start Date	Planned Finish Date	Actual Finish Date	Percentage Complete
Release 103 Cycle Set	06/11/2018	06/11/2018	11/17/2018	11/17/2018	100%
Release 104 Cycle Set	10/18/2018	10/18/2018	04/13/2019		75%

Event	% Complete	Target Finish	Actual Finish
Eligibility & Enrollment Systems Modernization	98%	Sat 4/13/19	
Release 104 Cycle Set	75%	Sat 4/13/19	
Cycle 1 - R103.1	100%	Sat 12/29/18	Sat 12/29/18
Cycle 2 - R103.2	100%	Sat 2/2/19	Sat 2/2/19
Cycle 3 - R103.3	99%	Sat 3/9/19	
Discovery	100%	Wed 1/16/19	Wed 1/16/19
Team 1 - AES - Action Taken for No Show MA Task Update	99%	Fri 3/1/19	
Team 2 - AES - Develop Interface Files for OAG's Child Support System	99%	Mon 3/4/19	
Team 3 - H&A - New Post Hearing Review Outcome H&A - Update ADH Full Hearing Packet AES - Disqualifying an Individual for not Clearing an SSN Discrepancy (CPM)	99%	Mon 3/4/19	
Team 4 - AES - Death Policy and Process Improvements	99%	Mon 3/4/19	
Team 5 - MCS - Medicaid Expansion 180 days H&A - Agency Appeared Indicator MCS - Update LTSS Screens	99%	Mon 3/4/19	
Team 6 - MCS - Close Managed Care Gaps - Program to Program	99%	Mon 3/4/19	
Team 7 - MCS - EDBC Updates - CMAs	99%	Mon 3/4/19	
Team 8 - AES - Death Policy and Process Improvements	99%	Mon 3/4/19	
Team 9 - H&A - User Friendly Improvements AES - Notification of Copay H&A - TIERS Email Alerts MCS - Close Managed Care Gaps - Program to Program	99%	Mon 3/4/19	
Team 10 - IT - Java 8 + WAS 8.5.5.13 + JDBC 12.2.0.1 + WPS 8.5 (Phase 3) AES - Death Policy and Process Improvements	99%	Mon 3/4/19	
Team 11 - RR for IT - Java 8 + WAS 8.5.5.13 + JDBC 12.2.0.1 + WPS 8.5 + AEM 6.33 upgrade (Phase 1 & 2)	99%	Mon 3/4/19	
Team 12 - IT - Oracle 12.2 DB Upgrade	99%	Mon 3/4/19	
Team 13 - DLT Maintenance 1	99%	Mon 3/4/19	
Team 14 - DLT Maintenance 2	99%	Mon 3/4/19	
Team 17 - EST Maintenance	99%	Mon 3/4/19	
Team 18 - DataMart Maintenance	99%	Mon 3/4/19	
Team 19 - ATI Test Automation	99%	Mon 3/4/19	
Team 22 - Training Support Tools Redevelopment	99%	Mon 3/4/19	
Team 23 - H&A - DG-045 Changes	99%	Mon 3/4/19	
Team 24 - IT - Java 8 + WAS 8.5.5.13 + JDBC 12.2.0.1 + WPS 8.5 + AEM 6.33 upgrade + BPM + ODM	99%	Mon 3/4/19	
Team 25 - OMHC - Update CRCG data system race/ethnicity tab	99%	Mon 3/4/19	

Team 28 - EWS Technical Enhancements	99%	Mon 3/4/19	
Team 29 - TLM Security Vulnerabilities Remediation	99%	Mon 3/4/19	
Team 31 - WCM Decommissioning	99%	Mon 3/4/19	
Team 32 - ECM Technical Enhancements	99%	Mon 3/4/19	
Team 34 - Kofax Efforts	99%	Mon 3/4/19	
Release readiness	99%	Mon 3/4/19	
Deploy R103.3	0%	Sat 3/9/19	
Cycle 4 - R104	2%	Sat 4/13/19	
Discovery	100%	Wed 2/20/19	Wed 2/20/19
Team 1 - RR for MCS - Overlapping Enrollment between CHIP and Medicaid and AES - Develop Interface Files for OAG's Child Support System	0%	Fri 4/5/19	
Team 2 - AES - Updates to Forms Text AES - LB85 Backlog AES - YTB Submissions in Chronological Order	0%	Fri 4/5/19	
Team 3 - RR for AES - Disqualifying an Individual for not Clearing an SSN Discrepancy (CPM) and AES - Action Taken for No Show MA Task Update	0%	Fri 4/5/19	
Team 4 - H&A - TIERS Enhancements Phase III AES - Citizenship & Residency Verification Backlog	0%	Fri 4/5/19	
Team 5 - AES - No Show Status for Flexible Appointments in IVR Phase 2 MCS - Medicaid Expansion 180 days	0%	Fri 4/5/19	
Team 6 - RR for MCS - Update LTSS Screens and MCS - Close Managed Care Gaps - Program to Program and MCS - Enrollment Identifiers - TIERS to EB	0%	Fri 4/5/19	
Team 7 - RR for MCS - EDBC Updates - CMAs and AES - Death Policy and Process Improvements	0%	Fri 4/5/19	
Team 8 - RR for AES - Death Policy and Process Improvements	0%	Fri 4/5/19	
Team 9 - RR for H&A - New Post Hearing Review Outcome and H&A - Update ADH Full Hearing Packet and H&A - User Friendly Improvements and H&A - TIERS Email Alerts and AES - Notification of Copay and H&A - TIERS Enhancements Phase II and H&A - TIERS Email Alerts	0%	Fri 4/5/19	
Team 10 - RR for PCG for OAG's Child Support System IT - Oracle 12c	0%	Fri 4/5/19	
Team 11 - RR for Develop Interface Files for OAG's Child Support System	0%	Fri 4/5/19	
Team 12 - IT - Java Upgrade	0%	Fri 4/5/19	
Team 13 - DLT Maintenance 1	0%	Fri 4/5/19	
Team 14 - DLT Maintenance 2	0%	Fri 4/5/19	
Team 17 - EST Maintenance	0%	Fri 4/5/19	
Team 18 - DataMart Maintenance	0%	Fri 4/5/19	
Team 19 - ATI Test Automation	0%	Fri 4/5/19	
Team 20 - CALMS	0%	Fri 4/5/19	
Team 21 - ASKiT Replacement	0%	Fri 4/5/19	
Team 22 - Training Support Tools Redevelopment	0%	Fri 4/5/19	
Team 28 - EWS Technical Enhancements	0%	Fri 4/5/19	
Team 29 - TLM Security Vulnerabilities Remediation	0%	Fri 4/5/19	
Team 34 - Kofax Efforts	0%	Fri 4/5/19	
Release Readiness	0%	Fri 4/5/19	
Deploy R104	0%	Sat 4/13/19	

5. Schedule of Expenditures

The report shall include a proposed schedule of expenditures for the TIERS project.

Type of Expenditure	FY2019 Schedule of Expenditures
Contracted Services	\$ 5,377,540
Hardware	\$ 9,748,304
Software	\$ 30,951,507
Total	\$ 46,077,351

6. Actual Expenditures

HHSC shall submit quarterly reports reflecting actual expenditures implementing the TIERS project.

6.1 New Development Expenditures

Project Item	Expenditures through 02/28/2019
Project Cost to Date (Fiscal)	\$2,011,846
Project Cost to Date (Total)	\$153,757,408

6.2 Operational Expenditures

Project Item	Expenditures through 02/28/2019
Project Cost to Date (Fiscal)	\$33,338,599
Project Cost to Date (Total)	\$301,257,263

7. Cost Savings

HHSC shall submit quarterly reports on cost savings for the TIERS project.

7.1 Strategies

In alignment with the State Strategic Plan for Information Resources Management published by the Department of Information Resources, the TIERS project team is strongly committed to maturing our information technology resource management principles and doing more with less by implementing strategies to maximize business value while reducing costs. HHSC has already fully implemented Agile development methodologies, reducing time to deployment and the need for expensive rework, while improving quality and value delivered to the business. The TIERS project is in the process of reducing dependency on staff augmentation contractors for operational workload by converting certain positions to state full time employees and eliminating other positions. TIERS is actively recruiting talent and bringing skill sets in-house by offering prospective employees the opportunity to work with new technologies while contributing to the worthy cause of helping Texans in need of health and social services. Additionally, the TIERS project leadership continues aggressively negotiating new contracts for information technology services and leveraging shared services, cooperative contracts, and state bulk purchasing for best pricing and terms where possible.

7.2 Estimated Savings

Cost Savings/Avoidance Effort	Q2 Savings
Elimination of Staff Augmentation Contract Positions	\$210,553
Conversion of Staff Augmentation Contract Positions to State Full Time Equivalent	\$282,188
Reduction in Rates Negotiated on New Contract	\$44,579
Reduction in Rates Negotiated on New Kofax Services Contract	\$9,152
Reduction in Scope of Application Support	\$475,584
Total	\$1,022,056

8. Governance

Additionally, the report shall include detailed strategies developed and implemented by HHSC to restrict the TIERS project to those items presented and approved by the Eighty-fifth Legislature, 2017.

Social Services Applications manages changes to TIERS and supporting technologies such as YourTexasBenefits.com, State Portal, Task List Manager, etc. The Information Technology governance process manages requested changes to all of the applications supported by Social Services Applications.

There are technically three major software releases each year but since the transition to an Agile software development cycle in 2016, software releases typically occur monthly depending on the contents of the given release charter.

To develop the release charter, business areas within HHSC, as well as external trading partners, submit strategic business roadmaps for system changes they need in both the upcoming fiscal year and the next release cycle. The submitting areas prioritize these roadmaps which then are combined and reprioritized based on capacity within each release cycle and the number of Agile sprints required for the requested initiatives. Prioritization of initiatives is based on the Agile “MoSCoW” method of must, should, could, and won’t; meaning the initiative is a must have, good to have, nice to have, or will not be done. The TIERS governance workgroup ultimately approves the final release charter.

Changes to the charter can be initiated by the Medical and Social Services (MSS) division, Social Services Application Information Technology, or both and those changes will be vetted by impacted parties before submission to the governance workgroup. The TIERS governance workgroup meets monthly to update the ongoing roadmap as well as to adjust the content or sprint schedule of the release that is currently in progress; the TIERS governance workgroup then approves the changes.

Critical additions to a release cycle set charter must meet the following criteria:

- Mandated by the federal government, state leadership, the HHS executive commissioner or all three entities to be implemented within the given release cycle;
- Failure to implement the initiative will result in clients not receiving accurate/timely benefits and there is no viable alternative process;
- The State of Texas, HHS or both will incur financial penalties if an initiative is not implemented; or
- Any other criteria defined and approved by the TIERS governance workgroup.

Ex. 3, Alluma Appeal

July 24, 2020

THIS NOTICE WAS SENT VIA EMAIL

Kiersten Murphy
Henze Cook Murphy PLLC
722 E. Osborn Rd, Suite 120
Phoenix, AZ 85014
KIERSTEN@HENZECOOKMURPHY.COM

Re: **Procurement Officer's Decision** to Protest
RFP YH20-0001 Health e Arizona Plus Maintenance and Operations Services

Dear Ms. Murphy:

AHCCCS is in receipt of the procurement protest dated July 6, 2020, filed by Henze Cook Murphy PLLC on behalf of The Center to Promote Healthcare Access dba Alluma (Alluma) in connection with the Health- e- Arizona Plus (HEAplus) Maintenance and Operations Services RFP YH20-0001. Alluma protests the State's June 26 contract award and the Chief Procurement Officer's (CPO) determination that Alluma's protest was not susceptible for award, contending that Alluma was improperly excluded from evaluation and that Alluma's offer presents the proposal most advantageous to the State. Pursuant to Arizona Administrative Code ("A.A.C.") R9-22-604(G), this letter serves as the Decision of the Procurement Officer in response to the protest.

As bases for its protest, Alluma alleges four general deficiencies where each deficiency is comprised of multiple subparts:

1. Lack of Transparency in the Procurement File.
2. The RFP Appears to Rely on the Incorrect Procurement Authority.
3. The Procurement Determination that Alluma Was "Not Susceptible for Award" Violates Applicable Law.
4. The CPO Incorrectly Found That Alluma's Offer Was Not Susceptible for Award.

Alluma's protest requests relief in the form of (1) stay contract implementation pending resolution of this protest; (2) sustain Alluma's protest; and (3) either issue the contract award to Alluma or reissue the solicitation consistent with Arizona law.

As the Chief Procurement Officer (CPO) of AHCCCS, I have denied Alluma's protest for the reasons set forth below. Alluma's challenges to the HEAplus procurement fail to support the relief requested. In addition, to the extent that Alluma alleges improprieties in an RFP or an amendment to an RFP, Alluma failed to timely file a protest as required by A.A.C. R9-22-604(D)(1) or (2).

Background of the solicitation:

The Arizona Health Care Cost Containment System (AHCCCS) issued RFP YH20-0001 to solicit proposals from Offerors experienced in maintaining, operating, and enhancing highly-integrated (multiple eligibility programs) Affordable Care Act (ACA)/Medicaid Eligibility and Enrollment ("E&E") systems. The awarded Contractor was required to meet minimum qualifications including a minimum number of years of recent and relevant experience.

Paragraph 5 of the RFP, "Purpose of the RFP," states that the awarded "Contractor will be responsible for maintenance and operations of the HEAplus E&E system with some development as needed if new initiatives arise from a State or Federal level." Notice of the upcoming solicitation was published in the Arizona Record Reporter on December 6, 2019. The RFP was sent to federal funding partners (CMS and FNS) and ultimately reviewed and approved for publication in January 2020. The RFP was posted on the AHCCCS website on January 17, 2020. A Bidder's Conference was conducted on February 6, 2020. All interested parties were invited, and there was representation at the conference by each Offeror who eventually submitted a proposal. Solicitation Amendment one (1), which included answers to Offerors' questions, was published on the AHCCCS website on February 10, 2020. Solicitation Amendment two (2), which included answers to Offeror's questions, was published on February 28, 2020. The RFP was closed on March 24, 2020, 3:00 PM (Arizona time).

A total of four proposals were submitted to AHCCCS by the due date of March 24, 2020. Alluma's proposal was rejected as not susceptible for award and thus removed from the evaluation process pursuant to the procurement determination issued on March 27, 2020.

The evaluation committee consisted of four highly qualified subject matter experts from both AHCCCS and ADES. The committee thoroughly evaluated each of the three susceptible proposals starting in March 2020 and recommended contract award be made to Accenture. In order to allow each Offeror ample time to inform its internal directors and staff of the contract award prior to posting of the award on the AHCCCS Website, each of the four Offerors was informed personally on a conference call made by the CPO the morning of the award, several hours prior to the award being made public. Once posted publically, all other interested parties were notified of the award, through email and constant contact notification sent by the CPO. Interested parties were also notified where to locate the procurement file.

Post award activities:

On June 26, 2020 Alluma, through its legal representative, submitted a public records request which seeks extensive public records. On an ongoing basis, AHCCCS has been providing responsive public records. On July 6, 2020 Alluma, through its legal representative, filed a procurement protest.

The following are the issues presented by Alluma's protest followed by AHCCCS' response.

1. Lack of Transparency in the Procurement File.

Alluma claims "The procurement file did not include a host of materials relevant to Alluma's evaluation of the legal and factual bases of its protest."

AHCCCS Response

AHCCCS timely posted the Procurement File on the date of award, June 26, 2020. Consistent with the requirements set forth in A.A.C. R9-22-601, the procurement file includes "a list of notified vendors, final solicitation, solicitation amendments, bids/offers, final proposal revisions, clarifications, and final evaluation report."

Alluma claims Accenture's proposal was so heavily redacted, that Alluma was unable to evaluate the propriety of the State's evaluation and award decision.

AHCCCS Response

As stated above, the procurement file was timely posted in accordance with A.A.C. R9-22-601. The procurement file contained, among other documents, all Offeror's proposals as well as final proposal revisions through Best and Final Offers or "BAFO".

In terms of redactions due to confidentiality, the RFP instructions explicitly permits all Offerors to request portions of their proposal and the BAFO to be designated as confidential by submission of a "detailed legal analysis, prepared by legal counsel, which sets forth the bases for the requested non-disclosure and the specific harm or prejudice which may arise if disclosed." (Special Instructions to Offerors, Paragraph 12) Offerors are prohibited from marking their entire proposal as confidential, and pricing is specifically identified as not confidential. Moreover, it is not uncommon for portions of an RFP to be designated as confidential, particularly in the case of highly technical procurements. Three of the four bidders submitted detailed legal analyses substantiating the confidentiality of specific portions of their bids.

To obtain the RFP materials which have been designated as confidential, Alluma's extensive June 26 public records request seeks, in part, "fully unredacted proposals, amendments, addenda and best and final offers (BAFO's) submitted in connection with the RFP." The legal requirements governing disclosure of public records is separate and distinct from the procurement process, and Alluma was promptly provided responsive public records. Although AHCCCS discloses public records as required by law, the confidential information sought by Alluma is subject to the following process consistent with the terms set forth in the RFP:

"In the event that AHCCCS receives a request for disclosure of the information, AHCCCS shall disclose the information in accordance with law. Prior to disclosure, AHCCCS will inform the Offeror of such request and provide the Offeror a period of time to take action it deems appropriate to support non-disclosure. The Offeror shall be responsible for any and all costs associated with the nondisclosure of the information."

Moreover, Alluma's primary argument reduces to the propositions that the other three offerors either did not understand AHCCCS' needs or provided "below market" bids and that Accenture won the contract at a cost that is "not feasible." The protest, however, fails to demonstrate any reason to believe the other offerors failed to understand AHCCCS' needs or that Accenture will be unable to fulfill the contract for the cost it proposed. Even if it could do so, Alluma fails to explain why, if Accenture has underbid the cost of the contract, this is anything other than Accenture's problem or how receiving confidential information from Accenture will change this fact.

Alluma alleges the procurement determination "may have relied improperly on records outside the scope of the submitted procurement materials" given that the following information was included in the procurement determination "as the incumbent contractor, Alluma's offer proposes an increase of more than 35% for Maintenance and Operations costs compared to current contract expenditures for Maintenance and Operations."

AHCCCS Response

Alluma's proposal was rejected as not susceptible for award due to Alluma's extraordinarily excessive 5 year cost bid as compared to the cost bids furnished by every other Offeror. Not only was Alluma's 5 year cost bid approximately \$90 million dollars above the highest cost bid submitted for this RFP and approximately \$100 million above the lowest cost bid, it exceeded the sum of all three other cost bids. While Alluma's 5 year cost bid exceeded \$138 million, all other bids resided within a relatively narrow range of approximately \$36 million to \$54 million. The reference in the procurement determination to current contract expenditures for Maintenance and

Operations simply illustrated how much of an outlier Alluma's proposal was; it does not represent records outside the scope of the submitted procurement materials that were made available to the Committee.

As specified in Paragraph 3 "Evaluation Criteria" of the Special Instructions to Offerors, the State is required to issue the award to the proposal determined to be most advantageous to the State based upon the evaluation criteria, including cost. Adherence to mandatory requirements, experience/expertise, and methodology are the remaining three additional evaluation criteria. Significantly, cost effectiveness is a critical factor in the evaluation of the RFP and the determination for award. Paragraph 3 of the Special Instructions to Offerors further provides that proposals will be evaluated based upon the Offeror's ability "to satisfy the requirements of the RFP in a cost-effective manner." An indispensable element for award of the HEAplus contract is the selection of an Offeror which provides the best value to the State.

The Scope of Work, Paragraph 2 "Legal Authority" specifies that the HEAplus solicitation and any resultant contract "is being entered into pursuant to A.R.S. § 36-2906, and any rules adopted thereunder." The applicable administrative rules which govern the RFP and the protest process are set forth in Title 9 Chapter 22 Article 6. As provided by A.A.C. R9-22-602(C), AHCCCS is authorized to reject any proposal if it determines that rejection is in the best interest of the State. In addition, A.A.C. R9-22-604 provides that AHCCCS shall award a contract to the Offeror whose proposal is determined most advantageous to the State. Alluma's exorbitant cost bid, in comparison to all other cost bids, is not consistent with providing the best value to the state. Nor can Alluma's bid be considered to be in the best interest of, or the most advantageous to, the state.

Alluma's proposal was properly rejected by the AHCCCS CPO as not susceptible for award: its exorbitant cost bid is contrary to the best interest of the State. Moreover, because the HEAplus system has been built and is in operation, cost bids associated with the RFP (excluding the SR process as discussed infra) were not anticipated to grow significantly, if at all. Moreover, "hosting" is not an HEAplus RFP requirement, in contrast to the responsibilities arising under the existing HEAplus contract. Refer to Scope of Work Paragraph 5.1 which provides:

5.1. Future State Currently the HEAplus system is hosted on premise and managed by the incumbent contractor on State-owned servers. The intent of the State is to have the HEAplus system fully migrated to a cloud hosted solution in advance of the start date of this contract. The Offeror shall propose its solution with the assumption that the system will be fully migrated to the State's cloud vendor, Azure, and shall be hosted and maintained in this environment for the term of this contract. If for some reason the system is not fully migrated to the cloud in advance of the start date of this Contract, the State will work with the stakeholders including the awarded Contractor and the incumbent contractor, to develop a plan of action to complete the full migration. The plan of action will include issuing a contract amendment for activities relating to the finalization of the migration.

Thus, limited costs for services and maintenance associated with hosting arise under the HEAplus RFP. Nor are costs contemplated for building the underlying system. In light of the three other proposals submitted, Alluma's cost bid for operations and maintenance of HEAplus is inconsistent with providing the best value to the State, with being the most advantageous to the State, or with satisfying RFP requirements in a cost-effective manner. Moreover, it is entirely reasonable and prudent for the State to consider the cost associated with the current HEAplus contract when explaining why Alluma's proposal was not susceptible for award of this contract. That Alluma is the current contractor is not relevant.

Alluma's award was rejected due to its unreasonably excessive cost bid in relation to the amounts bid by the three other bidders, and the CPO's reference to Alluma's proposed 35% cost increase is not inconsistent with that determination. The procurement determination issued by AHCCCS on March 27, 2020 states the following;

After careful review of the proposal submitted by The Center to Promote Healthcare Access, dba Alluma, the Chief Procurement Officer has determined that the proposal is not susceptible for award for the following reason:

- The proposal is unreasonably high in comparison to other proposals received.
 - a. The 5 year cost submitted by Alluma for all scored portions is \$138,863,613 in comparison to the other proposals at \$36,592,728, \$41,277,318 and \$49,959,499. Alluma’s proposal is 178-279% higher than the other offers received. See cost scoring methodology for description of scored portions.
 - b. The total 5 year cost submitted by Alluma for all portions, scored and not scored, is \$139,362,536 in comparison to other proposals at \$42,031,087, \$53,881,208 and \$43,540,325. Alluma’s total 5 year cost proposal is between 159-232% higher than the other offers received.
 - c. Additionally, as the incumbent contractor, Alluma’s offer proposes an increase of more than 35% for Maintenance and Operations costs compared to current contract expenditures for Maintenance and Operations.
- The agency chief procurement officer also determines that prompt notification to Alluma would compromise the State’s ability to negotiate with other offerors, thus this determination is confidential until date of award.

Therefore, pursuant to R9-22-602, the proposal is hereby rejected.

To place the cost bids in perspective, the initial proposed costs submitted by each Offeror for the scored portions of the RFP are included below for comparison:

Accenture	Deloitte	Optum	Alluma
\$ 41,277,318.00	\$ 49,959,499	\$ 36,592,728	\$ 138,863,613

Alluma alleges the following: “Based on the press release, it appears that at least a portion of the ultimate contract award to Accenture was not subject to a public procurement process in accordance with Arizona law. Neither the procurement file nor the RFP contain information supporting an additional \$82 million award to Accenture, beyond the \$39 million awarded for M&O services. Other than a vague reference in Page 9 of 25 the Scoring Methodology to “additional scope of work and information presented and discussed during the offeror’s demonstration of its solution,” there is no apparent request in the RFP itself for “new development and infrastructure that may occur” over the contract’s term, nor were offerors’ asked to provide a cost proposal for new development and infrastructure. If the additional \$82 million awarded under the contract was not identified in the RFP, not publicly bid in accordance with the Arizona Procurement Code, or was based on an evaluation of factors outside the RFP, the contract award cannot be permitted to stand.”

AHCCCS Response

Contrary to the assertions presented by Alluma, the RFP clearly addressed “new development and infrastructure that may occur.” These elements were specified in the RFP and were included within the scope and requirements of the contract, noting that costs for these activities would be negotiated on an as needed basis and/or paid through cost reimbursement. The amounts included in the ultimate award were estimate amounts (not guaranteed) and were based upon historical expenditures in these categories.

In the RFP, new development is carried out through a System Request, or “SR”, which is defined in the Definitions section of the RFP as follows:

SYSTEM REQUEST: (SR) A request provided by the State to the Contractor to perform a service on behalf of the State. SR requests include HEAplus system enhancements and developments or additional consulting services related to HEAplus.

Paragraph 5 of the RFP, Scope of Work, states: *“The Contractor will be responsible for maintenance and operations of the HEAplus E&E system with some development as needed if new initiatives arise from a State or Federal level.”*

More explicitly, Solicitation Amendment 2, Items 29 and 53, explain that *“The costs for responding to SRs will be separate from Offeror’s cost proposal to this RFP as new development costs are unable to be quantified at this time. All SRs will be developed and priced separately with the awarded Contractor with a not to exceed price on an as needed basis.”*

<p>(29) Can the State please clarify where and what the bidder should provide with respect to the Service Request cost in the Exhibit B Cost Sheet?</p>	<p>Offerors should not include new development SRs into their cost proposal. The costs for responding to SRs will be separate from Offeror’s cost proposal to this RFP as new development costs are unable to be quantified at this time. All SRs will be developed and priced separately with the awarded Contractor with a not to exceed price on an as needed basis.</p>
<p>(53) There are several statements in the RFP documents, specifically Section 4.6 and Requirement 100200 from Exhibit A, that refer to the process of implementing enhancements to the system via System Requests (SRs). Can the State please clarify whether activities related to SRs (from requirements through implementation) should be included in the fixed-price M&O bid? If so, how many SR hours should vendors plan for on an annual basis?</p>	<p>Refer to AHCCCS’ response to Question #29.</p>

In terms of infrastructure costs, the RFP specifies that Infrastructure costs, which includes software and licensing among other costs, would be paid on a cost reimbursement basis. Refer to Solicitation Amendment 2, Item 1 below:

<p>(1) The Software Inventory section of the HEAplus Infrastructure Inventory provides a list of software types that are in use in the HEAplus environments. Will the State provide products names in use for each of the list software types?</p>	<p>Upon contract execution, the State will provide the full software inventory to the Contractor and the Contractor shall be responsible for procuring the necessary licenses to meet the needs of the contract. The State will then work with the Contractor to amend the contract costs accordingly and will reimburse the Contractor for all necessary licensing. Do not include software and licensing in your Exhibit B - Cost Proposals.</p>
--	--

It is worth noting that the State’s existing contract with Alluma is structured in a similar fashion. Further contradicting Alluma’s position is Paragraph 6, Scope of Work, “Contractor Responsibilities” which states that *“The Contractor shall be responsible for carrying out all activities identified within this RFP and completing all Contractor requirements specified in Exhibit A - Technical Proposal.”*

responsible for managing SRs for new software development and enhancements to existing functionality as requested by the State.” Other staff have related responsibilities.

Accordingly, the SR process, along with associated costs, is clearly described in the RFP. New development and infrastructure upgrades were included in the scope and requirements of the RFP. Costs for these activities would be negotiated on an as needed basis and/or paid for through cost reimbursement. Equally as important, Alluma failed to timely file a protest as required by A.A.C. R9-22-604(D)(1) or (2) to allege improprieties in an RFP or an amendment to an RFP.

Alluma contends that the CPO did not “notify Alluma of the Procurement Determination immediately (that is, at a time when Alluma could have challenged the susceptibility determination and before it was materially prejudiced by its elimination from consideration), because the CPO found, without further justification, that “prompt notification of Alluma would compromise the State’s ability to negotiate with other offerors.”

AHCCCS Response

A.A.C. R9-22-602(C)(3) and (4) provide:

“(3) The Administration shall provide written notification to an offeror whose proposal is rejected. The rejection notice shall be part of the contract file and a public record.

(4) If the Administration determines that it is in the best interest of the state, the Administration may reject any and all proposals, in whole or in part, under the RFP. The reasons for rejection shall be part of the contract file. An offeror shall have no right to damages for any claims against the state, the state’s employees or agents if a proposal is rejected in whole or in part.”

AHCCCS rule does not mandate any particular timeframe for written notification of rejection nor does the rule specify that notification must occur prior to contract award. Consistent with rule, AHCCCS set forth the reasons for rejection and, though not required, also specified the rationale for issuing notification at the time of award:

“The agency chief procurement officer also determines that prompt notification to Alluma would compromise the State’s ability to negotiate with other offerors, thus this determination is confidential until date of award.”

Failure to receive notification of rejection was not prejudicial to Alluma. As AHCCCS rule requires that the procurement file be maintained as confidential until the completion of the procurement, earlier notification of the proposal rejection would not have permitted Alluma access to the procurement file in advance of award. Accordingly, Alluma would have been precluded from challenging the susceptibility of award determination prior to the date of award even with earlier communication of the rejection.

2. The RFP Appears to Rely on the Incorrect Procurement Authority.

Alluma alleges that the procurement was issued under the incorrect procurement authority.

AHCCCS Response

The HEAplus procurement is not subject to the Arizona Procurement Code. In accordance with Arizona law and the explicit terms of the RFP, YH20-0001 was issued under AHCCCS statutes and administrative rules-not the Arizona Procurement Code. Nevertheless, it is important to note that the AHCCCS procurement process closely aligns with the Arizona Procurement Code process, and the actions taken are consistent with both AHCCCS provisions as well as the Arizona Procurement Code, and Alluma alleges no prejudice to it from the AHCCCS procedures.

Pursuant to ARS § 41-2501, AHCCCS is exempt from the Arizona Procurement Code with respect to provider contracts and contracts for goods and services. This exemption is further underscored by A.A.C. R9-22-601(C) which exempts the Administration from the Arizona Procurement Code and provides the AHCCCS Director full operational authority to adopt rules for the RFP process and the award of contracts under ARS § 36-2906. ARS § 36-2906(C) creates a “request for proposal process” and ARS § 36-2906(A) gives AHCCCS the authority to “review the proposals” and “award contracts” without limitation as to particular subjects.

The HEAplus eligibility and enrollment system constitutes an essential and fundamental Medicaid “goods and service,” exempt from the Arizona Procurement Code. Furthermore, the legal authority underlying the HEAplus RFP is unambiguous: The RFP Scope of Work, Paragraph 2 “Legal Authority” provides that “This solicitation and any resultant contract is being entered into pursuant to A.R.S. § 36-2906, and any rules adopted thereunder.” As with other aspects of the protest alleging improprieties in an RFP or an amendment to an RFP, Alluma failed to timely file a protest as required by A.A.C. R9-22-604(D)(1) or (2). See also Uniform Instructions 6 and 7.

3. The Procurement Determination that Alluma Was “Not Susceptible for Award” Violates Applicable Law.

Alluma alleges that the procurement determination violates AHCCCS procurement regulations

AHCCCS Response

AHCCCS rule A.A.C. R9-22-602(C)(4) states “If the Administration determines that it is in the best interest of the state, the Administration may reject any and all proposals, in whole or in part, under the RFP. The reasons for rejection shall be part of the contract file. An offeror shall have no right to damages for any claims against the state, the state’s employees, or agents if a proposal is rejected in whole or in part.”

Consistent with the above administrative rule, Alluma’s proposal was rejected precisely because of the best interest of the state. It is clear from the cost bid that Alluma’s proposal could not be construed as the most advantageous to the state. Maximizing the value of public monies to the greatest extent possible is a crucial objective of public procurements, whether conducted under AHCCCS’ authority or pursuant to the Arizona Procurement Code. AHCCCS, like other public entities, must serve as a responsible, prudent steward of taxpayer funds and resources. Given the non-competitive nature of Alluma’s cost bid, awarding the contract to Alluma is quite simply incompatible with the best interest of the state.

As set forth in the RFP, proposals were evaluated based upon the Offeror’s ability “to satisfy the requirements of the RFP in a cost-effective manner.” The Special Instructions to Offerors, Paragraph 3 “Evaluation Criteria,” noted

that the award would be issued to the proposal determined to be most advantageous to the State based upon the evaluation criteria, including cost.

Alluma's 5 year cost bid is exorbitant as compared to the cost bids furnished by every other Offeror: Not only was Alluma's 5 year cost bid approximately \$90 million dollars above the highest cost bid submitted for the HEAplus RFP and approximately \$100 million above the lowest cost bid, it exceeded the sum of the remaining three other cost bids. While Alluma's 5 year cost bid exceeded \$138 million, all other bids resided within a relatively narrow range of approximately \$36 million to \$54 million.

To reiterate, the March 27 procurement determination provided the reasons for the CPO's decision:

- *The proposal is unreasonably high in comparison to other proposals received.*
 - a. *The 5 year cost submitted by Alluma for all scored portions is \$138,863,613 in comparison to the other proposals at \$36,592,728, \$41,277,318 and \$49,959,499. Alluma's proposal is 178-279% higher than the other offers received. See cost scoring methodology for description of scored portions.*
 - b. *The total 5 year cost submitted by Alluma for all portions, scored and not scored, is \$139,362,536 in comparison to other proposals at \$42,031,087, \$53,881,208 and \$43,540,325. Alluma's total 5 year cost proposal is between 159-232% higher than the other offers received.*
 - c. *Additionally, as the incumbent contractor, Alluma's offer proposes an increase of more than 35% for Maintenance and Operations costs compared to current contract expenditures for Maintenance and Operations.*
- *The agency chief procurement officer also determines that prompt notification to Alluma would compromise the State's ability to negotiate with other offerors, thus this determination is confidential until date of award.*

In addition, Alluma's contention that it was unfairly denied an invitation to negotiations or opportunity to submit a BAFO is misplaced. The RFP provides otherwise. Paragraph 11 of the Special Instructions to Offerors provides:

"Final Proposal Revisions / Best and Final Offers: Written Final Proposal Revisions, or Best and Final Offers, will be requested from any Offeror with whom negotiations have been conducted, unless the Offeror has been determined not within the competitive range, not susceptible for award or nonresponsive."

Alluma alleges that the procurement determination violates the Arizona Procurement Code and ADOA Procurement Regulations

AHCCCS Response

The AHCCCS procurement provisions, not the Arizona Procurement Code, govern the HEAplus procurement. As discussed at length earlier, the procurement was conducted in accordance with state laws, regulations, and RFP provisions. Nevertheless, the March 27 CPO procurement determination is supported by both AHCCCS procurement requirements as well as Arizona Procurement laws and regulations. Both procurement authorities and processes are closely aligned. Among a multitude of other similarities, both mandate that awards be made to the offeror whose proposal is determined to be the most advantageous to the state. Refer to ARS §41-2534 and A.A.C. R2-7-C317 for procurements pursuant to the Arizona procurement provisions.

Alluma argues that ADOA's procurement regulations "contain a presumption in favor of including proposals in the full evaluation" and that had the procurement been conducted pursuant to the Arizona Procurement Code, the "non susceptibility to award" determination due to its cost bid would not be permissible.

Arizona Procurement regulation A.A.C. R2-7-C311 "Determination of Not Susceptible to Award" supports the March 27 CPO procurement determination. This rule provides that "An agency procurement officer may determine at any time during the evaluation period and before award that an offer is not susceptible for award." Furthermore, subsection (A)(3) specifies the following as a basis for such a determination:

"The offer is not susceptible for award in comparison to other offers based on the criteria set forth in the solicitation. When there is doubt as to whether an offer is susceptible for award, the offer should be included for further consideration."

As previously discussed, Alluma's exorbitant cost bid, in comparison to all other cost bids, is not consistent with providing the best value to the state. Nor can Alluma's bid be considered to be in the best interest of, or the most advantageous to, the state. Paragraph 3 "Evaluation Criteria" of the Special Instructions to Offerors reiterates that awards will be made to the Offeror whose proposal is determined to be the most advantageous to the state. This section clarifies that proposals will be evaluated based upon the Offeror's ability "to satisfy the requirements of the RFP in a cost-effective manner." Alluma's cost bid is beyond any reasonable construction of cost effectiveness. No doubt existed with respect to the susceptibility of award, and thus, further consideration of the offer was not warranted.

Alluma alleges that its proposal was not evaluated in accordance with the evaluation criteria.

AHCCCS Response

Alluma incorrectly contends that "the Procurement Determination is directly contrary to both the RFP and Arizona law on a fundamental precept of public procurement" and that the rejection "amounted to an impermissible modification of the relative order of the evaluation criteria's importance." For the reasons discussed earlier, the RFP was issued, evaluated, and awarded in accordance with applicable procurement laws, regulations, RFP provisions, and procurement best practices. Alluma's cost proposal was exorbitant, was not in the best interest of the state, was not the most advantageous to the state, failed to provide the best value to the state, and failed to satisfy the RFP requirements in a cost effective manner. Accordingly, Alluma's proposal was properly rejected.

Alluma alleges that the procurement determination was inconsistent with AHCCCS' past practices

AHCCCS Response

Alluma attempts to compare the Works Portal RFP to the HEAplus RFP, contending that "past practice supports full evaluation of proposals regardless of price differential." First, each solicitation award is unique and judged on its own terms. Second, Alluma's characterization of past practice is not accurate. Each AHCCCS procurement is unique in complexity, format, cost pricing analysis, and other factors such that comparisons are not appropriate. No prior RFP issued by AHCCCS presents a similar pattern of cost proposals as presented by the HEAplus RFP where all cost bids, with one exception, fell within a relatively close range. One HEAplus Offeror's cost bid (Alluma's) represents an extreme outlier.

The range of bids and resulting cost pattern for the Works Portal RFP are entirely dissimilar to those submitted for the HEAplus procurement. With respect to the Works Portal RFP, cost proposals were submitted by 10 offerors

representing a broad range of low, mid, and high pricing. Also critical is consideration of the cost differential from low bid to high bid in the two procurements: As previously noted, the HEAplus cost bid presented an approximate \$90 million differential (when comparing Alluma's bid to the next highest cost bid) whereas the Works Portal presented less than a \$15 million differential when comparing the **highest** bid to the **lowest**. Accordingly, awarding the HEAplus contract to Alluma presents an **approximate \$90 million additional cost to Arizona taxpayers**, as opposed to **less than \$15 million**, in the case of the Works Portal procurement.

Moreover, Alluma incorrectly states that AHCCCS did not determine any of the proposals in the Works Portal to be not susceptible for award: AHCCCS determined that six of the proposals submitted were "not susceptible for award in comparison to other offers based on the criteria set forth in the solicitation." The remaining proposals which proceeded to the evaluation process were priced very differently where some congregated with high bids and others clustered lower. Thus, the circumstances for the Works Portal RFP are not remotely comparable to those of the HEAplus RFP as demonstrated below.

Although Alluma claims that "Accenture's proposal (for \$16.8 million) was more than 442% higher than the lowest cost evaluated option by SIS/Alluma (for \$4.4 million)," it is also worth noting that the BAFO submission by SIS was \$3.8 million and the BAFO submission by Accenture was \$16.9 million. The four BAFO offers submitted the following BAFO price proposals: Deloitte at \$16.8 million, Accenture at \$16.9 million, Cognosante at \$4.7 million and SIS at \$3.8 million. Because the pricing proposals submitted in connection with the Works Portal procurement were varied and not clustered in one general area, it was entirely reasonable and appropriate to retain these proposals in the BAFO process for consideration.

4. The CPO Incorrectly Found That Alluma's Offer Was Not Susceptible for Award.

Alluma alleges that its Proposal Best Met the RFP's Most Important Evaluation Criteria, and that Alluma's Cost Proposal Was Feasible, Reasonable Based on the RFP's Requirements, and Supported by Alluma's Significant Experience with HEAplus.

AHCCCS Response

Alluma contends that its cost proposal was reasonable and that the awarded \$39 million cost "is not feasible, given the scope of the work required by the complex HEAplus E&E system." In addition, Alluma speculates that it would have scored higher than the winning offeror. Notwithstanding Alluma's perspective and for the many reasons discussed previously, the procurement determination is consistent with the applicable legal authorities and the pertinent facts. The June 26 contract award comports with laws, rules, and the RFP provisions.

CONCLUSION

For the reasons discussed above, AHCCCS rejects the arguments presented in Alluma's protest 1) to support stay of the contract implementation pending resolution of this protest, 2) to sustain Alluma's protest, 3) to issue the contract award to Alluma, and 4) to reissue the solicitation. Therefore, Alluma's protest is denied in the entirety.

I also deny your request for a stay of implementation because, applying the criteria of A.A.C. R9-22-604(E), I do not believe a reasonable probability exists that the protest will be sustained, and I do not believe a stay would be in the best interest of the State.

In accordance with A.A.C. R9-22-604(I) Alluma may file an appeal of the procurement officer's decision within five (5) days from the date the decision is received. Any appeal shall contain the information specified in A.A.C. R9-22-604(I)(2).

Sincerely,



Meggan LaPorte (Jul 24, 2020 15:53 PDT)

Meggan LaPorte, MSW, CPPO
AHCCCS Chief Procurement Officer
Procurement@azahcccs.gov

Ex. 4, Alluma Appeal



Meggan LaPorte <meggan.laporte@azahcccs.gov>

Considerations prior to award

5 messages

Meggan LaPorte <Meggan.LaPorte@azahcccs.gov>
To: Daniel Lippert <daniel.lippert@azahcccs.gov>

Mon, Jun 15, 2020 at 1:00 PM

Dan, Per our meeting today please let me know the amount for placeholders for the SRs and for the Software.

Meggan LaPorte, MSW CPPO
Chief Procurement Officer
AHCCCS

 **HEAplus Considerations prior to award1.docx**
20K

Daniel Lippert <daniel.lippert@azahcccs.gov>
To: Meggan LaPorte <Meggan.LaPorte@azahcccs.gov>

Thu, Jun 18, 2020 at 1:02 PM

Here is what Stacy came up with.

Dan Lippert
AHCCCS
Assistant Director/CIO
602-417-4277

----- Forwarded message -----

From: **Stacy Westerholm** <stacy.westerholm@azahcccs.gov>
Date: Thu, Jun 18, 2020 at 12:00 PM
Subject: Re: Considerations prior to award
To: Daniel Lippert <daniel.lippert@azahcccs.gov>

does this help:
SR development cost

2015 -2017 – amt spent on development 40,014,117 -- about 1,111,503.25 a month

2018 – amt spent on development \$5,868,087 -- about 400,000 per month – des killed us this year

2019 --- amt spent on development \$4,679,549 --- about 390,000 per month --- but 2019 was a bad year (AW killed us – dev picked up eoy)

For **2020**

Jan \$615376.45

Feb \$679365.88

Mar \$1,172517.42 (CLOUDS stuff really kicked in)

April \$1,357958.31

Total this far = \$3,825,218.07 / 4 = **\$956,304.52** monthly average

Recommendation – 1.2 Mill a month

For HW/SW --- outside of the contract – this is my \$2,000,000 bucket

AHCCS_00141

Yrs 2015 – 2017 = \$7,162,269.73 -> is \$2,387,423.25 per year

Yr 2018 = \$427,543.06

Yr 2019 = 0

Yr 2020 = \$262.884.05 (partial year – more new stuff due to cloud)

Recommendation - \$2,000,000 a month

On Thu, Jun 18, 2020 at 10:06 AM Daniel Lippert <daniel.lippert@azahcccs.gov> wrote:

The current RFP does not have a dollar amount for SR type work or the software pass through charges for the MO vendor. In order to avoid going back to CMS everytime we have an SR or purchase software for contract approval we would like to add a line item for work above and beyond MO.

Our thought was to look back at the last year with Alluma and see what we were paying for this type of service. Then we would want your opinion on if you think we will need more or less with the new vendor. That way we could put it in the contract to as a not to exceed amount. If for some reason we did need to go over then we would do a contract amendment.

So basically need to guess at what amount to put in the bullets below:

- SR's for development (initial conversations were to limit SR's to a total of 2M and if exceeded, would prompt a contract amendment – ?? per year??)
\$12 M /year (or less)
- HEAplus Infrastructure Inventory – Software License Inventory - to be reimbursed
\$??/_/Year

Ignore the amount that is in there now. The second bullet is for all the software that is required of the new vendor to run the system. Like the invoices you sent for the cloud tools. This would be our guess on how much we would have to pass through to them for software purchases. Similar to what we do with Alluma.

Does that make more sense?

Dan Lippert
AHCCCS
Assistant Director/CIO
602-417-4277

----- Forwarded message -----

From: **Daniel Lippert** <daniel.lippert@azahcccs.gov>
Date: Mon, Jun 15, 2020 at 1:08 PM
Subject: Fwd: Considerations prior to award
To: Stacy Westerholm <stacy.westerholm@azahcccs.gov>

We need to supply our best guess for the dollar amount of SR we are going to do with the new vendor and the amount of software we think we are going to pass through to them. Do you have numbers for those items? If not we can get something from the IAPD.

Thanks.

Dan Lippert
AHCCCS
Assistant Director/CIO
602-417-4277

[Quoted text hidden]

NOTICE: This e-mail and any attachments to it may contain information that is PRIVILEGED and CONFIDENTIAL under State and Federal law and is intended only for the use of the specific individual(s) to whom it is addressed. This information may only be used or disclosed in accordance with law, and you may be subject to penalties under law for

AHCCS_00142

improper use or further disclosure of the information in this e-mail and its attachments. If you have received this e-mail in error, please immediately notify the person named above by reply e-mail, and then delete the one you received

NOTICE: This e-mail and any attachments to it may contain information that is PRIVILEGED and CONFIDENTIAL under State and Federal law and is intended only for the use of the specific individual(s) to whom it is addressed. This information may only be used or disclosed in accordance with law, and you may be subject to penalties under law for improper use or further disclosure of the information in this e-mail and its attachments. If you have received this e-mail in error, please immediately notify the person named above by reply e-mail, and then delete the one you received

NOTICE: This e-mail and any attachments to it may contain information that is PRIVILEGED and CONFIDENTIAL under State and Federal law and is intended only for the use of the specific individual(s) to whom it is addressed. This information may only be used or disclosed in accordance with law, and you may be subject to penalties under law for improper use or further disclosure of the information in this e-mail and its attachments. If you have received this e-mail in error, please immediately notify the person named above by reply e-mail, and then delete the one you received

NOTICE: This e-mail and any attachments to it may contain information that is PRIVILEGED and CONFIDENTIAL under State and Federal law and is intended only for the use of the specific individual(s) to whom it is addressed. This information may only be used or disclosed in accordance with law, and you may be subject to penalties under law for improper use or further disclosure of the information in this e-mail and its attachments. If you have received this e-mail in error, please immediately notify the person named above by reply e-mail, and then delete the one you received

Meggan LaPorte <Meggan.LaPorte@azahcccs.gov>
To: Daniel Lippert <daniel.lippert@azahcccs.gov>

Mon, Jun 22, 2020 at 6:07 PM

I just saw that you are recommending 2 million PER MONTH for infrastructure - this 2million dollar bucket used to be per year. Was that a typo?

Meggan LaPorte, MSW CPPO
Chief Procurement Officer
AHCCCS

[Quoted text hidden]

Daniel Lippert <daniel.lippert@azahcccs.gov>
To: Meggan LaPorte <Meggan.LaPorte@azahcccs.gov>

Tue, Jun 23, 2020 at 4:13 PM

It should be 2 million per year. I just verified with Stacy.

Dan Lippert
AHCCCS
Assistant Director/CIO
602-417-4277

[Quoted text hidden]

[Quoted text hidden]

Meggan LaPorte <Meggan.LaPorte@azahcccs.gov>
To: Daniel Lippert <daniel.lippert@azahcccs.gov>

Tue, Jun 23, 2020 at 5:53 PM

Ok, thanks.

Meggan LaPorte, MSW CPPO
Chief Procurement Officer
AHCCCS

[Quoted text hidden]



Meggan LaPorte <meggan.laporte@azahcccs.gov>

cost proposal

1 message

Meggan LaPorte <Meggan.LaPorte@azahcccs.gov>

Thu, Mar 26, 2020 at 10:20 AM

To: "Tegen, Jeffery" <jeffery.tegen@azahcccs.gov>

Cc: Daniel Lippert <daniel.lippert@azahcccs.gov>

This is for Alluma. Do you want all 4?

Meggan LaPorte, MSW CPPO
Chief Procurement Officer
AHCCCS



B4 Cost Proposal Alluma.pdf

1159K

Ex. 5, Alluma Appeal

YH20-0001 HEAplus Maintenance and Operations RFP

SCORING METHODOLOGY

The evaluation team for this RFP was developed by both leadership at AHCCCS as well as ADES and is comprised of select subject matter experts. The evaluation team will be required to independently review each proposal. The team will then convene and discuss each proposal as it relates to the requirements listed in the RFP and come to a consensus score for each proposal. Any individual scores or notes developed outside the consensus scoring meetings are deemed draft and will be destroyed upon development of the final consensus score. The team is chaired by the Chief Procurement officer and the meetings are facilitated by the procurement consulting team. The team will meet several times over a period of weeks to make final recommendations.

ASSIGNMENT OF POINTS:

	Max Points
<i>ADHERENCE to MANDATORY REQUIREMENTS</i>	<i>PASS/FAIL</i>
<i>EXPERIENCE AND EXPERTISE NARRATIVE PROPOSAL</i>	<i>475</i>
<i>METHODOLOGY NARRATIVE PROPOSAL</i>	<i>275</i>
<i>COST PROPOSAL</i>	<i>250</i>
TOTAL SCORE	1000

MANDATORY REQUIREMENTS

This section is pass or fail. If the Offeror clearly does not meet minimum mandatory requirements pursuant to the solicitation, as determined by the Chief Procurement Office, the proposal will be determined to be non susceptible for award and will not be scored. If the Offeror has not demonstrated clearly its ability to meet the minimum requirements of the solicitation, the Chief Procurement Officer may consult with subject matter experts and may either determine it to be non susceptible for award, or allow the proposal to be evaluated. A proposal may at any point during the evaluation be deemed not susceptible for award.

EXPERIENCE AND EXPERTISE

The maximum points available for this category is 475. Submission requirements considered in this category include the Offerors' narrative of their experience and expertise including the company history and background, key staff and information presented and discussed during the Offeror's demonstration of its solution.

METHOD OF APPROACH

The maximum points available for this category is 275. Submission requirements considered in this category include the Offeror's narrative of its proposed methodology to carry out the scope, ability to agree to the technical requirements listed in the solicitation and additional scope of work and information presented and discussed during the Offeror's demonstration of its solution.

COST SCORING

The maximum points available for this category is 250. The RFP requires the Offerors to submit a total proposed solution price for the entire 5 year contract period. The total 5 year cost for the purposes of evaluation of this category will be a combined total of the price proposed for Maintenance, Operations and Transition Activities (excluding disengagement costs). This price will be compared by a relative scaled score. $(\text{Lowest Price} \div \text{Price Offered}) \times \text{Max Points} = \text{Awarded Points}$. Offerors with proposed 5 year prices that are within a few thousand dollars of each other will be scored the same. The following elements will not be assigned a point value but will be discussed: Disengagement Costs, Online Management System Costs, Reporting Region Costs, and Automated Testing Tool Costs.

Ex. 6, Alluma Appeal

BAFO SCORING SUMMARY
RFP # YH19-0028 AZ Works Portal

Per Special Instructions to Offerors, Page 20 of RFP	Max Points	Accenture	Cognosante	Deloitte	Efficient Enterprise Engineering	GovWebworks	Innovative Architects	RCR Technologies	Smart Software Solutions	Social Interest Solutions B	System Soft Technologies
EXPERIENCE & EXPERTISE of FIRM and KEY PERSONNEL	400	323	266	296	27	81	101	233	22	301	45
METHOD OF APPROACH	350	185	328	214	43	150	166	163	86	229	122
COST	250	57	202	57	182	84	126	25	61	250	250
TOTAL SCORE	1000	565	796	567	252	315	393	421	169	780	417

Evaluation Committee Members Attestation: We hereby attest that the points awarded to each offeror listed on this Scoring Sheet were scored in accordance with the established evaluation criteria and represent our best judgment of each offeror's proposal.

As indicated by the scores and the justification in the Executive Summary, our recommendation for contract award is:

NAME

Marna Richmond 18-Jun-19
Signature on File **Date**

Marshal Willmot 18-Jun-19
Signature on File **Date**

Kuruville Mathew 18-Jun-19
Signature on File **Date**

Ex. 7, Alluma Appeal

Learn more about coronavirus (COVID-19) (<https://azahcccs.gov/COVID19>)



Advanced search (</advancedsearch.html>)

(/)

[Home \(/\)](#) / [News \(/Shared/News.html\)](#) / [This Page](#)

June 26, 2020

AHCCCS Awards 5-Year Contract for HEAplus Eligibility System Maintenance and Operations

AHCCCS recently announced a contract award for maintenance and operations of the Health-e-Arizona Plus (HEAplus) eligibility and enrollment system to Accenture. The contract award is \$39 million over five years for maintenance and operations of the system, and \$82 million over five years for new development and infrastructure that may occur over the term of the contract, for a total award of \$121 million.

HEAplus provides an online system for consumers, eligibility workers, and community assistors. The system supports eligibility determinations and ongoing case management for State programs, including: Medicaid, Children's Health Insurance Program (CHIP) (known as KidsCare in Arizona), Medicare Savings Program (MSP), Arizona Long-Term Care System (ALTCS), Supplemental Nutrition Assistance Programs (SNAP), Temporary Assistance for Needy Families (TANF), and Arizona's MyFamilyBenefits (Electronic Benefits Transfer [EBT] Portal).

Since its launch in October 2013, the Health-e-Arizona Plus (HEAplus) online eligibility system, jointly developed by the Arizona Health Care Cost Containment System (AHCCCS) and Arizona Department of Economic Security (DES), has undergone several system and user experience improvements. Combined, these improvements have eliminated manual staff processing time, increased the timeliness of eligibility determinations, and improved customer satisfaction.

- System automation has reduced the number of manual communication documents by 1.3 million between 2016 and 2018, creating an estimated savings of more than 110,000 hours of state employee time.
- More than 69 percent of HEAplus applications are submitted by the applicants themselves, community assistors, or other non-state employees.
- In 2019, 88 percent of eligibility renewals were entirely automated.
- More than 83 percent of users say HEAplus is "very easy or easy" to use.
- The Centers for Medicare and Medicaid Services (CMS) rated HEAplus in the top 3 percent of Medicaid eligibility systems in the nation.

The contract award scheduled start date is October 1, 2020. More information is available in the AHCCCS Solicitations and Procurements Bidder's Library (</Resources/OversightOfHealthPlans/SolicitationsAndContracts/open.html>) for RFP YH20-0001 HEAplus Maintenance and Operations RFP.

Can't find what you're looking for? Please visit the AHCCCS Document Archive (<https://archive.azahcccs.gov/>).

Select Language

Powered by [Google Translate](#)

Ex. 8, Alluma Appeal

Category	Hrs/Mo	Hrs/Year
1 Post-Production Application Defect Resolution	3,500	42,000
2 Database Maintenance	925	11,100
3 Maintenance of the Document Management Solution	20	240
4 H/W and S/W Maintenance Hours	350	4,200
5 Interface Maintenance	320	3,840
6 Post Implementation Support	975	11,700
7 Security Management	110	1,320
8 Solution Maintenance	975	11,700
9 Solution Processing Support	1,500	18,000
10 Solution Performance Management	125	1,500
11 MARS-E 2.0 Monitoring & Compliance	118	1,416
12 Subscriber Maintenance	105	1,260
13 SR # 466 – ALTCS	1,940	23,285
14 SR # 392 SAVE VLP Enhancements	36	432
15 SR # 467 Increase Auto Disc Freq on MA renewals	14	168
16 SR # 468 Improve Email Func for Submission Doc.	1	12
17 SR # 476 ALTCS C4 Proviced Type	2	24
18 SR # 477 ALTCS Mail Vendor	4	48
19 SR # 491 ALTCS - FOCUS Requirements	25	300
20 Removed	-	
21 SR #497 Appeals Expedited Request	16	192
22 SR #461	4	48
	11,065	132,785

Ex. 9, Alluma Appeal



Kathryn Greene <kathryn.greene@azahcccs.gov>

Fwd: RFP Notification - Deloitte

1 message

Meggan LaPorte <Meggan.LaPorte@azahcccs.gov>

Thu, Jul 2, 2020 at 10:37 AM

To: Kathryn Greene <kathryn.greene@azahcccs.gov>, Gina Relkin <gina.relkin@azahcccs.gov>

FYI

----- Forwarded message -----

From: **Meggan LaPorte** <Meggan.LaPorte@azahcccs.gov>

Date: Thu, Jul 2, 2020 at 10:37 AM

Subject: Re: RFP Notification - Deloitte

To: D'Andrea, Derek <ddandrea@deloitte.com>

Cc: Nisbet, Josh <jnisbet@deloitte.com>

Hi Derek-

I offer vendors a debrief meeting as a courtesy to non awarded vendors who wish to learn more about the process in an effort to improve their offer for future solicitations. Upon advice I will only schedule those after the completion of the protest period/and or appeal period (if applicable).

AHCCCS will not be extending the protest period for this procurement. I will submit your (public records) request for the un-redacted proposal to my legal team for response.

Meggan LaPorte, MSW CPPO

Chief Procurement Officer

AHCCCS

On Thu, Jul 2, 2020 at 10:04 AM D'Andrea, Derek <ddandrea@deloitte.com> wrote:

Hi Meggan,

We can certainly meet Tuesday or Wednesday, but you'll note that puts us outside the protest window (10 days after notification of award). We do have some preliminary concerns that you may be able to clear up when we meet. However, until we have that clarification we'd like to have the option to protest if we feel it's warranted. Is it possible to extend the protest window based on the following?

1. We'd like to request a less redacted copy of Accenture's proposal to help us better understand the scoring. This is one of the most redacted proposals we've seen and believe it exceeds what is legally allowed. For example, they say they have "extensive experience working with multiple state and federal agencies for the design, delivery, and maintenance of E&E systems. Examples include:". And then they redact every example. We don't believe this falls under the definition of "trade secret". Nor should it be redacted.
2. The evaluation of our proposal included scoring on several items that we had not included in our proposal or during our oral presentation. For example, there's a comment that Deloitte would need to "transition HEAplus and embed it in their system." We'd like to understand where this comment came from as it was clearly not part of our approach and shouldn't have been considered in scoring.

We appreciate any flexibility you can grant us in extending the protest period so we can meet with you and get a better look at Accenture's less redacted proposal.

Thanks,

AHCCCS_00411

Derek

Derek D'Andrea, Managing Director

Mobile 702 449 8304 | ddandrea@deloitte.com

Assistant Bernadette Sanchez | bersanchez@deloitte.com | 303 305 3182

From: Meggan LaPorte <Meggan.LaPorte@azahcccs.gov>

Sent: Wednesday, July 1, 2020 9:08 AM

To: D'Andrea, Derek <ddandrea@deloitte.com>

Subject: [EXT] Re: RFP Notification - Deloitte

I apologize, I will need to schedule for Tuesday, any time between 11 and 2, or Wednesday between 9 and 11am.

Meggan LaPorte, MSW CPPO

Chief Procurement Officer

AHCCCS

On Tue, Jun 30, 2020 at 5:56 PM D'Andrea, Derek <ddandrea@deloitte.com> wrote:

Hi Meggan,

If 2:00 on Monday (7/6) is still available, that should work. That's 2:00 Arizona time. Please let me know if you'd like me to setup a Zoom or Skype meeting.

Thanks again,

Derek

From: Meggan LaPorte <Meggan.LaPorte@azahcccs.gov>

Sent: Monday, June 29, 2020 8:07 PM

To: D'Andrea, Derek <ddandrea@deloitte.com>

Subject: [EXT] Re: RFP Notification - Deloitte

Absolutely, what time would work for you? I am free between noon and 4 on monday and anytime prior to 2pm on Tuesday or after 3pm.

AHCCCS_00412

Meggan LaPorte, MSW CPPO
Chief Procurement Officer
AHCCCS

On Mon, Jun 29, 2020 at 6:59 PM D'Andrea, Derek <ddandrea@deloitte.com> wrote:

Hi Meggan,

After some time to digest the award and evaluation, we would like to take you up on your offer to debrief with us. This week is a little complicated with the holiday. Is it possible to meet next Monday, 7/6? Please let me know what you have available.

Thanks,

Derek

From: Meggan LaPorte <Meggan.LaPorte@azahcccs.gov>
Sent: Friday, June 26, 2020 1:01 PM
To: D'Andrea, Derek <ddandrea@deloitte.com>
Subject: [EXT] RFP Notification - Deloitte

Dear Derek,

Please see attached non-award letter. As discussed this morning, the procurement file will be available today in the next hour or so on our website under the solicitation. You should see the constant contact email go out soon.

Please feel free to contact me if you have any questions.

Meggan LaPorte, MSW CPPO
Chief Procurement Officer
AHCCCS

NOTICE: This e-mail and any attachments to it may contain information that is PRIVILEGED and CONFIDENTIAL under State and Federal law and is intended only for the use of the specific individual(s) to whom it is addressed. This information may only be used or disclosed in accordance with law, and you may be subject to penalties under law for improper use or further disclosure of the information in this e-mail and its attachments. If you have received this e-mail in error, please immediately notify the person named above by reply e-mail, and then delete the one you received

This message (including any attachments) contains confidential information intended for a specific individual and purpose, and is protected by law. If you are not the intended recipient, you should delete this message and any disclosure, copying, or distribution of this message, or the taking of any action based on it, by you is strictly prohibited.

AHCCCS_00413

Deloitte refers to a Deloitte member firm, one of its related entities, or Deloitte Touche Tohmatsu Limited ("DTTL"). Each Deloitte member firm is a separate legal entity and a member of DTTL. DTTL does not provide services to clients. Please see www.deloitte.com/about to learn more.

v.E.1

NOTICE: This e-mail and any attachments to it may contain information that is PRIVILEGED and CONFIDENTIAL under State and Federal law and is intended only for the use of the specific individual(s) to whom it is addressed. This information may only be used or disclosed in accordance with law, and you may be subject to penalties under law for improper use or further disclosure of the information in this e-mail and its attachments. If you have received this e-mail in error, please immediately notify the person named above by reply e-mail, and then delete the one you received

NOTICE: This e-mail and any attachments to it may contain information that is PRIVILEGED and CONFIDENTIAL under State and Federal law and is intended only for the use of the specific individual(s) to whom it is addressed. This information may only be used or disclosed in accordance with law, and you may be subject to penalties under law for improper use or further disclosure of the information in this e-mail and its attachments. If you have received this e-mail in error, please immediately notify the person named above by reply e-mail, and then delete the one you received

NOTICE: This e-mail and any attachments to it may contain information that is PRIVILEGED and CONFIDENTIAL under State and Federal law and is intended only for the use of the specific individual(s) to whom it is addressed. This information may only be used or disclosed in accordance with law, and you may be subject to penalties under law for improper use or further disclosure of the information in this e-mail and its attachments. If you have received this e-mail in error, please immediately notify the person named above by reply e-mail, and then delete the one you received

Ex. 10, Alluma Appeal

April 22, 2020

THIS NOTICE WAS SENT EXCLUSIVELY VIA EMAIL

Kristi Miller
101 N First Ave, Suite 100, Phoenix, AZ 85003
kristi.d.miller@accenture.com
Phone: 480-540-3746

Re: Letter of Clarification, RFP #YH20-0001, HEAplus Maintenance and Operations RFP

Dear Ms. Miller,

In order to continue with the evaluation of your proposal AHCCCS requires clarification of the following items:

1. On your transmittal letter, Legal Disclaimer portion, Accenture states the following:

This proposal contains information and trade secrets that are confidential and proprietary to Accenture LLP ("Accenture"). It is being submitted to the Arizona Health Care Cost Containment System ("AHCCCS") in response to Solicitation # YH20-0001 for HEAplus Maintenance and Operations on the understanding that it will be used solely for the purpose of evaluating the solution contained in this document **and shall not be copied for, or disclosed to, any person other than AHCCCS employees and legal advisors evaluating the proposal.**

AHCCCS Response: Through the act of submitting a proposal to the State of AZ, your submission is automatically considered a public record and shall be open for public inspection after the solicitation process is complete (upon award of a contract). As such, there shall be no inherent expectation of confidentiality. However, as stated in the RFP, Special Instructions to Offerors, distinct portions of your proposal may be requested to be kept confidential given certain circumstances. Accenture has submitted a request that is under consideration now. After an award is made, all documents will be posted on our public website with the exception of any limited portions that you have requested, and the Chief Procurement Officer has issued a determination, to be kept confidential. An entire bid shall never be kept confidential, and pricing shall not be kept confidential.

AHCCCS requires you to remove the highlighted section, and resubmit your transmittal letter.

2. On your transmittal letter, Legal Disclaimer portion, Accenture states the following:

This response was prepared on the instructions and information given by AHCCCS and accordingly **Accenture accepts no responsibility for any inaccuracy or error, or any action taken or not taken in**

reliance on this response. All representations and warranties whether express or implied by statute, law or otherwise, are hereby excluded.

Resolution: AHCCCS requires you to remove the highlighted section, and resubmit your transmittal letter.

3. On your Offer and Acceptance Page, Accenture neglected to complete the section indicating small business status.

Resolution: AHCCCS requires that Accenture resubmit its Offer and Acceptance page with this portion fully completed.

4. In your assumptions at the end of your Method of Approach you state the following:

Accenture Assumption #1: We assume the tools being used on the program are fit for purpose for the technologies and program scale and able to provide data that can be consumed by our myWizard® platform, as needed to support the integrations in Figure 2; most myWizard® components will be hosted in an Accenture-provided cloud instance.

Response: The State has no way of knowing if the HEAplus program or tools will be able to be consumed by your platform, so there should be no assumption of fit. However, the State agrees to work collaboratively with the awarded Contractor to support a successful transition.

Accenture Assumption #2: We assume that the size of the environment in Azure will be equal to the sizing information provided in the RFP for the on-premise data center deployment. We are assuming the environments are mostly comprised of virtual machines but that SQL Server will be migrated to Azure SQL as a service.

Response: To the best of our knowledge, the State believes this assumption to be true.

Accenture Assumption #3: We assume your cloud infrastructure will be set up appropriately for efficient operational monitoring and infrastructure management.

Response: Despite the term “efficient” not being defined and is therefore subjective, the State believes this assumption to be true in concept.

Accenture Assumption #4: We assume that a successful Disaster Recovery test on the current infrastructure will have been proven out by the incumbent contractor before hand-over of responsibility to Accenture.

Response: Though the State cannot guarantee this to be true, we do agree to work collaboratively with the awarded Contractor in supporting this stipulation in the transition plan.

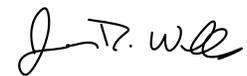
AHCCCS requests your acceptance of this notice (below) as well as a copy of the corrected Offer and Acceptance page to be submitted electronically to me by Tuesday, April 28, 2020 at Procurement@azahcccs.gov. Failure to respond to this request for additional clarification could cause an adverse impact on the evaluation of your proposal.

Sincerely,

Meggan LaPorte

Meggan LaPorte, MSW CPPO
AHCCCS Chief Procurement Officer
Meggan.LaPorte@azahcccs.gov
Procurement@azahcccs.gov

RESPONSE: I have the authority to execute this agreement on behalf of my organization. I acknowledge and agree to the responses contained in this letter in relation to portions of my proposal for the above named RFP.



Name, Title

Managing Director

April 23, 2020
Date