

COST PROPOSAL — BEST AND FINAL OFFER

Magellan Medicaid Administration (MMA, Inc.) is pleased to present our Cost Proposal Best and Final Offer (BAFO) for Request for Proposal (RFP) Number 6100015782, Pharmaceutical Assistance Contract for the Elderly and PACE Needs Enhancement Tier.

A. TASK COMPONENT DETAIL TAB

- 1. The Fee/Profit is entered in combination with the Overhead listed on the Task Component Detail Tab. The Fee/Profit must be entered as a percentage on the Labor Cost Summary Tab as designed.**

As MMA, Inc. uses a different methodology for calculating profit than was assumed in the design of the Cost Submittal Workbook, we have made revisions to the Labor Cost Detail Tab, and the Labor Cost Summary Tab with the intent of responding to this item. MMA, Inc. has entered the percentage as requested on the supplied Labor Cost Summary Tab in addition to the other changes mentioned. In the provided tab, the row labeled Total Labor Costs does not reflect Total Labor Costs with the application of the percentage, but rather reflects the Total Fee/Profit with the Direct Labor. Given that our proposal includes labor through various contractors the percentage input is higher than what it would be if all dedicated staffing (direct MMA, Inc. and contract) were included. For example, in Year 1 we entered approximately 63.76 percent reflecting the total Fee/Profit, whereas if we were to include direct staffing costs on the Task Component Breakdown Detail the percentage entered would be 32.20 percent to equal the profit that was originally entered on the Task Component Detail Tab.

B. TASK COMPONENT DETAIL TAB

- 1. *SERB* (known to DGS as "BMWBO or Disadvantaged Business (DB)") language should be removed.**

MMA, Inc. has made the requested revisions to the Task Component Detail Tab.

- 2. **Consultant Costs: A breakdown of services and associated costs for each consultant must be provided, so we can understand what services are to be provided and those costs associated with those services.****

We have updated the Task Component Detail Tab with the additional information requested.

- 3. Subcontract Costs: A breakdown of services and costs for each subcontractor must be provided, so we can understand what services are to be provided and those costs associated with those services.**

In addition to making the updates to the Task Component Detail Tab showing the requested breakdown, we would like to clarify the usage of this category of expenses as MMA, Inc. did not propose any subcontractors as defined in the RFP. MMA, Inc. included these PACE service delivery expenses in this category as these purchased services from distinct providers do not represent commodity type purchases. These include firms providing temporary staffing and the firm, Abel Personnel, Inc., that will provide most of the Cardholder and Provider Services ongoing personnel.

C. TASK COMPONENT DETAIL – DIRECT COSTS

- 1. Please provide an explanation for the high travel costs required during “Take Over” since Magellan is the incumbent contractor.**

MMA, Inc. is incorporating leading edge technology into the program administration through our proposal to upgrade and/or replace the legacy applications with our state-of-the-art pharmacy solutions. These improved systems will allow all aspects of the programs’ administration to meet or exceed the current and future National Council of Prescription Drug Programs (NCPDP) standards including D.0. Additionally our proposed applications will fully comply with the requirements of regulations promulgated pursuant to the 1996 Health Insurance Portability and Accountability Act (HIPAA) and the Health Information Technology for Economic and Clinical Health (HITECH) Act, Title XIII of Division A and Title IV of Division B of the American Recovery and Reinvestment Act of 2009 and related regulations.

In order to ensure seamless transition for the Commonwealth and the PACE constituents, MMA, Inc. has included staff not involved in the current incumbent contract to deliver the required solutions. The travel costs represent the cost associated with the Takeover implementation team engaged in the re-architecture, configuration, and deployment of the PACE solutions. This includes providing onsite development and implementation experts to work with the Commonwealth during requirements validation sessions, new systems training

(includes training of operations staff prior to the new systems’ deployment), and user acceptance testing (UAT) sessions necessary for the new functionality being provided in the contract and to identify additional configuration and enhancements given the expanded functionality being offered to the Department. Additionally, we will deploy highly experienced corporate implementation staff as part of the Go-Live for the new technology.

2. Provide an explanation on why Magellan expects the commonwealth to be responsible for “Severance Pay” for Magellan employees. Please itemize the costs associated with each activity.

The “Severance Pay” line item in the cost proposal included potential severance costs and expenses associated with the business reengineering efforts associated with our proposed implementation of our BMWBO. The intent in working with our BMWBO partners is to retain as many of the existing MMA, Inc. PACE staff as possible. We have eliminated the \$263,316 for severance expense. The remaining business reengineering costs are expenditures necessary for MMA, Inc. to complete the takeover and operation of the programs. These expenses include additional expenditures to support the purchasing processes with the BMWBO partners, additional training and education of all MMA, Inc. Managers and Supervisors in maintaining the proper management of non-MMA, Inc. resources, and additional incentives provided to certain MMA, Inc. employees related to the takeover. We have modified the descriptive label used to describe these remaining costs to read Business Reengineering Costs.

3. Break-out Office Space, Storage and Utilities charges.

The requested break-out is provided below, please note the storage category refers to our electronic data and recovery storage services:

Contract Period	Office Space	Office Utilities	Storage
Takeover	\$23,698	\$0	\$0
Year 1	\$476,166	\$44,340	\$61,200
Year 2	\$490,451	\$45,670	\$63,036
Year 3	\$505,165	\$47,040	\$64,927
Year 4	\$520,319	\$48,452	\$66,875
Year 5	\$535,929	\$49,905	\$68,881
Year 6	\$552,007	\$51,402	\$70,948

4. What is covered under “Freight” charges? Itemize these charges.

“Freight” charges include distribution of the PACE New Enrollment applications throughout the Commonwealth. New Applications are distributed annually through our network of Pharmacies, Physicians, Area Agencies on Aging, Senior Centers, and Legislative District offices. The quantities vary; the applications are pre-packaged in quantities of 25 per package and come in cases of up to 500. An initial shipment occurs in December, January, and February of each year. As the organizations request additional shipments, they are then shipped throughout the year. Historically we have used UPS or FedEx ground. The shipments are made from our Harrisburg location and our vendor under our shipper number. This cost accounts for about 75 percent of the “Freight” charges.

Additionally, we send our Manufacturer agreements and quarterly invoices, PAP Brochures, CRDP Applications, and other items for the programs via FedEx ground; this accounts for the remaining 25 percent of the “Freight” charges.

Based on historical usage and the 2010 budget, the following is an annual breakdown for “Freight” charges:

Contract Period	Freight
Takeover	\$0
Year 1	\$37,979
Year 2	\$39,118
Year 3	\$40,292
Year 4	\$41,501
Year 5	\$42,746
Year 6	\$44,028

5. What “Bank Charges” is Magellan expecting? Itemize these charges.

MMA, Inc. currently maintains five separate accounts at the Department’s request. The “Bank Charges” are inclusive of all accounts. Each account has associated fees in part determined by the balances and transactions associated with the account. These accounts are based on Program and are broken down as follows:

- PACE/PACENET Aging
- CRDP and the Department of Health programs
- SPBP1 and 2 for the Department of Public Welfare
- AutoCAT
- WCSF.

The “Bank Charges” include automated clearing house (ACH) origination Fees, ACH returns, ACH pre-notification expenses on new accounts, deposit fees, wire transfer fees, and bank management account fees.

We projected the “Bank Charges” for the proposal on the 2010 actual and forecasted charges from the current financial institution.

Contract Period	Bank Charges
Takeover	\$0
Year 1	\$26,040
Year 2	\$26,821
Year 3	\$27,626
Year 4	\$28,455
Year 5	\$29,308
Year 6	\$30,187

6. Will License Fees, Postage and Printing be based on actual costs and reimbursed? Provide a breakdown of each cost.

Licenses Fees, Postage, and Printing, as they relate to the PACE contract are volume based. Given the myriad program requirements and relying on our 26 years of experience with the Program, we have projected the costs for all of the components included in our Cost Submittal Worksheet. The Licenses Fees are the charges for the drug file pricing services: Red Book, Blue Book, and Medi-Span. The licenses include base charges for the pricing files themselves and additional usage fees based on a per claim charge associated with the services.

Postage expenses are also volume based. We estimated the volumes based on the RFP and historical data and projections for enrollments and past mailings. The postage expense is based on the appropriate postal rate for the coming years.

The Printing costs are based on the historical volumes. We based our projections on enrollments, previous usage and RFP requirements.

The RFP did not allow for license fees, postage, and printing to be reimbursable costs, consequently, we included these expenses in our fixed fee proposed price. If the Department would like for these items to be reimbursable, MMA, Inc. would be happy to discuss this option with the Department during negotiations.

Please see the below tables for breakouts of the license fees, postage expenditures and annual print volume assumptions and associated expenditures.

DRUG FILE LICENSE FEES

Drug File License Fees	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6
Redbook	\$26,500	\$27,295	\$28,114	\$28,957	\$29,826	\$30,721
Medi-Span	\$27,700	\$28,531	\$29,387	\$30,269	\$31,177	\$32,112
Bluebook	\$75,000	\$77,250	\$79,568	\$81,955	\$84,413	\$86,946
Base Charge	\$129,200	\$133,076	\$137,068	\$141,180	\$145,416	\$149,778
Claims Volume	10,842,000	11,167,260	11,502,278	11,847,346	12,202,767	12,568,850
Usage Charges	\$25,400	\$26,162	\$26,947	\$27,755	\$28,588	\$29,446
Total	\$154,600	\$159,238	\$164,015	\$168,936	\$174,004	\$179,224

ANNUAL POSTAGE EXPENDITURES

Postage	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6
Surveys	\$170,982.34	\$176,111.98	\$181,395.19	\$186,837.03	\$192,442.25	\$198,215.63
Return Surveys	\$92,506.03	\$95,281.31	\$98,139.67	\$101,083.85	\$104,116.42	\$107,239.98
CRDP Renewals	\$3,568.09	\$3,675.14	\$3,785.39	\$3,898.95	\$4,015.92	\$4,136.40
CRDP Cards	\$1,221.08	\$1,257.71	\$1,295.44	\$1,334.31	\$1,374.34	\$1,415.57
UR/ProDUR Letters	\$23,497.16	\$24,202.09	\$24,928.14	\$25,675.98	\$26,446.27	\$27,239.68
UR/PhRMA Return Post	\$12,686.54	\$13,067.15	\$13,459.15	\$13,862.93	\$14,278.82	\$14,707.20
PhRMA Apps/Letters	\$2,790.25	\$2,873.96	\$2,960.17	\$3,048.98	\$3,140.45	\$3,234.66
IV Statements	\$1,585.82	\$1,633.39	\$1,682.39	\$1,732.87	\$1,784.85	\$1,838.40
Cardholder Letters	\$12,611.91	\$12,990.28	\$13,379.98	\$13,781.38	\$14,194.83	\$14,620.68
New Enrollment Cards	\$21,154.81	\$21,789.47	\$22,443.14	\$23,116.43	\$23,809.94	\$24,524.25
SPBP New Enrollments	\$697.76	\$718.69	\$740.25	\$762.46	\$785.34	\$808.90
SPBP Renewals	\$4,017.40	\$4,137.93	\$4,262.07	\$4,389.93	\$4,521.63	\$4,657.28
SPBP Letters	\$5,867.53	\$6,043.56	\$6,224.86	\$6,411.60	\$6,603.96	\$6,802.08
SPBP Cards	\$3,171.64	\$3,266.79	\$3,364.79	\$3,465.73	\$3,569.71	\$3,676.80
Miscellaneous	\$951.49	\$980.04	\$1,009.44	\$1,039.72	\$1,070.91	\$1,103.04
Medicare Part D Letters	\$209,592.24	\$215,880.22	\$222,356.44	\$229,027.11	\$235,898.07	\$242,975.15
Renewal ID Cards	\$7,611.92	\$7,840.29	\$8,075.49	\$8,317.76	\$8,567.29	\$8,824.32
Total	\$574,514.00	\$591,750.00	\$609,502.00	\$627,787.00	\$646,621.00	\$666,020.00

ANNUAL PRINTING EXPENDITURES

Printing 2011 - 2016	Annual Volume	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6
New Applications	500,000	\$137,800	\$141,934	\$146,192	\$150,578	\$155,095	\$159,748
Renewal Applications	315,000	\$42,525	\$43,801	\$45,115	\$46,468	\$47,862	\$49,298
SPBP New Enrollment Applications	8,000	\$1,248	\$1,285	\$1,324	\$1,364	\$1,405	\$1,447
SPBP Renewal apps	8,000	\$1,185	\$1,220	\$1,257	\$1,295	\$1,334	\$1,374
PACE & PACENET Renewal Surveys	315,000	\$110,187	\$113,493	\$116,897	\$120,404	\$124,016	\$127,737
PACE ID Cards	60,000	\$9,000	\$9,270	\$9,548	\$9,835	\$10,130	\$10,433

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Printing 2011 - 2016	Annual Volume	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6
PACE Envelopes	150,000	\$6,837	\$7,042	\$7,253	\$7,471	\$7,695	\$7,926
PhRMA Brochures	50,000	\$2,186	\$2,251	\$2,319	\$2,389	\$2,460	\$2,534
CRDP New Enrollments	8,000	\$1,085	\$1,118	\$1,151	\$1,186	\$1,221	\$1,258
CRDP Renewals	6,000	\$489	\$504	\$519	\$535	\$551	\$567
CRDP ID cards	10,000	\$3,150	\$3,245	\$3,342	\$3,442	\$3,545	\$3,652
CRDP ID cards Print RRD	0	\$0	\$0	\$0	\$0	\$0	\$0
PACE Brochures	250,000	\$13,165	\$13,560	\$13,967	\$14,386	\$14,818	\$15,262
Spanish Apps	5,000	\$576	\$593	\$611	\$629	\$648	\$668
Spanish Brochures	50,000	\$2,468	\$2,543	\$2,619	\$2,697	\$2,778	\$2,862
Part D Assignment Letter	255,000	\$38,372	\$39,524	\$40,709	\$41,931	\$43,188	\$44,484
Part D Do Nothing Letter	200,000	\$30,096	\$30,999	\$31,929	\$32,887	\$33,873	\$34,890
Part D Second PACENET Letter	75,000	\$11,286	\$11,625	\$11,973	\$12,333	\$12,702	\$13,084
LIS CRDP & SPBP Apps	0	\$0	\$0	\$0	\$0	\$0	\$0
Price Finder Brochures	50,000	\$2,469	\$2,543	\$2,619	\$2,697	\$2,778	\$2,862
Scanner Sheets	500,000	\$26,500	\$27,295	\$28,114	\$28,957	\$29,826	\$30,721
Provider Renewals	3,500	\$649	\$669	\$689	\$709	\$731	\$753
Provider Envelopes	15,000	\$684	\$704	\$725	\$747	\$770	\$793
UR/PAP Envelopes	150,000	\$6,837	\$7,042	\$7,253	\$7,471	\$7,695	\$7,926
Annual Report PACE CRDP SPBP	250	\$5,500	\$5,665	\$5,835	\$6,010	\$6,190	\$6,376
Total		\$454,295	\$467,923	\$481,961	\$496,420	\$511,313	\$526,652

7. What is covered under “Employee’s Extras”, provide a justification for each and itemize accordingly.

“Employee Extras” includes both direct compensation and non-compensation provided by MMA, Inc. to all of our employees. Included are employee performance incentives, dues and subscriptions, and employee recognition activities benefiting our PACE employees and contract staff.

Performance incentives are designed to rewards performance that meets or exceeds service goals for the Program. Performance incentives included in the budget are:

Contract Period	Performance Incentive
Implementation	\$45,032
Year 1	\$180,425
Year 2	\$178,483
Year 3	\$183,838
Year 4	\$189,353
Year 5	\$195,034
Year 6	\$200,885

Dues and subscriptions include publications that are directly used for support of Program activities. The bid price includes the cost of renewing existing subscriptions to publications and periodicals we have found helpful in the ongoing administration of the program. Examples of these publications include:

- The Pharmacist Letter — presents topics of current interest to pharmacists
- The Physician’s Desk Reference — includes information about prescription medications
- The International Classification of Disease — contains information about diagnosis coding
- The Red Book Paper Copy — a printed version of the electronic Red Book file used to maintain the Drug Reference File.

The bid price includes the following costs for dues and subscriptions:

Contract Period	Costs for Dues and Subscriptions
Implementation	\$0
Year 1	\$4,698
Year 2	\$4,839
Year 3	\$4,984
Year 4	\$5,234
Year 5	\$5,288
Year 6	\$5,446

MMA, Inc. also provides extras, such as onsite flu vaccines for our Harrisburg staff, either free or at a reduced cost. This nominal expense is a key step in mitigating the effects of a pandemic. We also include some minimal employee recognition activities where employees have gone above and beyond to serve the PACE population. The proposed price includes the following amounts:

Contract Period	Miscellaneous Employee Extras Costs
Implementation	\$0
Year 1	\$2,000
Year 2	\$2,060
Year 3	\$2,122
Year 4	\$2,185
Year 5	\$2,251
Year 6	\$2,319

8. Who and why the commonwealth should be responsible for “Tuition Reimbursement”, provide justification for each and itemize accordingly.

Training is one of the keys to supporting and improving our Harrisburg operations. MMA, Inc. provides tuition reimbursement as a standard benefit available to all employees, allowing us to remain competitive in recruiting and retaining qualified staff. The PACE Program benefits from having skilled, knowledgeable staff supporting Program activities. Our bid price is based on our actual historical cost for employee tuition paid to staff receiving passing grades in approved coursework in an undergraduate or graduate degree program. Examples of courses taken by MMA, Inc. employees in the Harrisburg office in recent years include:

- Biostatistics
- Skills and Methods in Human Services I
- Skills and Methods in Human Services II
- Human Development Social Environment
- Psychology
- Intro to Sociology
- Race and Culture

- Medical Anthropology
- Quantitative Methods
- Applied Anthropology Theory and Practice
- Philosophy
- Intro to Spanish (language)
- Intermediate Spanish (language)
- Technical Writing II
- Information Technology and Business Operations
- Communications
- Organizational Behavior
- Legal Aspects of Health Care
- Human Care Financial Management
- Health Care Strategic Management
- Adult Development and Aging
- Social Psychology of Aging
- Principles of Marketing
- Business and Society
- Human Resources Administration
- Financial Accounting
- Management Accounting
- English Composition
- Intro to Mathematics
- World Cultures.

D. FACILITY DISASTER RECOVERY PLAN COSTS

- 1. The costs provided shall be itemized under this tab and removed from the “General Overhead Tab” so we may understand the charges under the correct tab.**

MMA, Inc. has updated our submittal. Please refer to the Costing Assumptions Tab for a description of these updates.

E. GENERAL OVERHEAD COSTS

- 1. Detail out Overhead Costs for Claims Processing, Corporate and Data Center. Provide justification why overhead charges are being accessed under all areas.**

The PACE Programs receive substantial benefits from MMA, Inc.'s shared corporate infrastructure; these overhead expenses are allocated to PACE accordingly. A description and summary of the allocation methodology are provided below:

Claims Processing Overhead — Includes all allocated costs associated with operating under a shared system environment. These costs include all support staff from all MMA, Inc. groups associated with the maintenance and operation of all claims processing systems, including the costs to support FirstRx™ and other core applications. Claims processing overhead costs are allocated consistently across all MMA, Inc. accounts that utilize the pharmacy claims processing systems.

Corporate Overhead — Includes allocation of all corporate costs, such as Corporate Management, Accounting and Finance, Marketing and Proposal Preparation, Quality Control and Release Management, Human Resources, etc. These costs are allocated consistently across all MMA, Inc. accounts.

Data Center — Includes costs associated with a shared IT infrastructure environment. These costs replace the mainframe costs included in the existing PACE/MMA, Inc. contract and include the pro-rata share of the St. Louis server-based Data Center. These costs are allocated consistently across all accounts that utilize the St. Louis Data Center.

F. LABOR DETAIL

- 1. Please explain why the Systems Manager (\$59.51) would be paid more than the Corporate Officer or Project Manager (\$51.02) of the Program?**

Magellan Health Services' corporate resources devote a significant amount of thought, effort, and care in managing the compensation of our employees throughout the organization. An individual's compensation level is based on the position requirements, the market value of the collective skills, experience and education, and past performance for the position requirements.

Additional factors such as tenure, geographic location, and position pay ranges are also included in determining an individual's compensation level. All of our employees are educated and aware of our internal compensation management practices which include our annual review process and frequent interaction with our internal Human Resources and Training teams. Actual and projected compensation levels have been used in our proposed price to the Commonwealth of Pennsylvania.

G. TAKEOVER COST TAB

- 1. The Department requires the understanding on how personnel costs proposed on MMA's original Cost Submittal fit into each enhancement separately in MMA's technical response, Part IV, Task I, Program Take Over.**

It seems that MMA included its projected costs for "identified project enhancements" ("Enhanced Research Capabilities" and "Enhanced Drug Utilization Review") described in the Section listed above in its proposed Cost Submittal response.

If these enhancements are only for the commonwealth to consider, these items should not be included in the Take Over Cost Worksheet for the program. Only items that are relevant to the Take Over of the RFP requirements, should be entered into MMA's proposed Cost Submittal Workbook. Any additional service outside of the RFP requirements should be identified as "Optional Enhancements". Costs for these services should be itemized by enhancement.

These "enhancements" were identified as specific examples of additional value MMA, Inc. included in our core proposed solution for the Commonwealth and should not be viewed as optional. These "enhancements" are intended to meet core RFP requirements and the additional value derives from the leveraging of these resources for additional value to the PACE Programs.

- 2. For Enhanced Research capabilities, MMA states in its technical response, Page IV-4.A.2 proposes "...to expand the research capabilities by adding a third Health Outcomes Scientist" but no position title is listed for Health Outcomes Scientists (1 Sr and 2 Jr. Scientists" on the Job Classification Worksheet in MMA's Cost Submittal Response.**

Please indicate where this job classification for the proposed Health Outcomes Scientist(s) is included in the Cost.

The Research Team includes a Senior Health Outcomes Scientist, two Health Outcomes Scientists, and an Associate Research Scientist. These four positions are included in the Job Classification column on the Labor Breakdown Worksheet. The additional Health Outcomes Scientist referenced in the technical response refers to one of the Health Outcomes Scientists. Under the current contract, we have one each of the aforementioned titles.

- 3. Please provide enhancement costs for the Cognos BI reporting tools mentioned in MMA's technical submittal, Page IV-4.A.3. Submit these costs separately on the Take Over Cost Tab worksheet.**

The costs for the Cognos BI reporting tools hardware and software have been identified on the Task Component Detail Tab in the Take Over cost column. There is not a Take Over Cost Tab worksheet in the Cost Submittal Workbook; MMA, Inc. assumes this meets the intent of isolating these costs.

- 4. Personnel Costs proposed for ½ year worth (\$562,901) of wages are listed under the Take Over Plan, but MMA is the incumbent, so please clarify why there would be take over Costs. Please explain and describe the reasoning for these items to be distributed over three (3) years.**

There is a total of \$562,901 in Takeover costs for Year 1 that is shown by position on the takeover-turnover detail tab of the file. Even though MMA, Inc. is the incumbent, we have proposed upgrading and replacing the legacy applications with our state-of-the-art pharmacy solutions. In order to accomplish this as a seamless transition for the Commonwealth and the PACE constituents, MMA, Inc. has included additional staff not involved in the current incumbent services contract to deliver the required solutions. These improved systems allow all aspects of the Programs' administration to meet or exceed the current and future National Council of Prescription Drug Programs (NCPDP) standards, including D.0. Additionally, our proposed applications will fully comply with the requirements of regulations promulgated pursuant to the 1996 Health Insurance Portability and Accountability Act (HIPAA) and the Health Information Technology for Economic and Clinical Health (HITECH) Act, Title XIII of Division A and Title IV of Division B of the American Recovery and Reinvestment Act of 2009 and related regulations.

The cost for the Takeover is distributed evenly over a three-year period to spread the cost to Commonwealth over the same duration as the expenses are incurred. This results in a relatively consistent price over the six-year term.

H. COST AND PRICING ASSUMPTIONS

1. **Please provide a detailed explanation of why equipment in a shared environment “will not convey to the Commonwealth at the termination of the contract.”**

One aspect of the competitive pricing model that MMA, Inc. has extended to the Commonwealth in our proposal is our ability to leverage our state-of-the-art Data Center located in St. Louis. This facility is fully equipped to provide all of the necessary central processing to support PACE/PACENET and the Ancillary Programs’ technical needs. By extending the use of this facility and its processing capabilities in an incremental fashion, we are able to offer the Commonwealth use of resources on an as needed basis without the Commonwealth having to incur the cost of equipment or software that would be utilized solely for the operation of PACE/PACENET and Ancillary Programs. Utilizing this approach benefits the Commonwealth in that resources can be made available without incremental costs to the PACE Program. The resulting characteristic of this lower-cost and highly efficient model is that our resources are shared across our technical solutions and therefore cannot be conveyed to our customers in the event that an individual customer-contract was to terminate.

In our proposal, MMA, Inc. has prepared a plan that illustrates the use of hardware and software that will be purchased to support the Commonwealth’s needs. This upgrade and infrastructure expansion includes incremental estimates of existing hardware and infrastructure in many cases, allowing MMA, Inc. to include costs that reflect only portions of hardware and software that will be needed to support the Commonwealth’s needs. If MMA, Inc. estimates the Commonwealth’s needs to consume only 10 percent of a \$100,000 piece of equipment, MMA, Inc. has extended the price of \$10,000 to address that need. If we were to utilize a model in which new equipment and software were to be purchased in order to convey that infrastructure to the Commonwealth in the event of the contract’s termination, MMA, Inc. would have to extend the full price to the Commonwealth resulting in a higher cost, less efficient model than the one we have proposed.