

## **Non-Benefit Costs Bid Requirements**

The Non-Benefit Costs Bid Submission workbook, found in Section F - Rate Development Information, will be utilized by each Offeror to submit their non-benefit costs bid. The workbook is simple and contains no macros. It contains six worksheets, or GSA tabs: “North”, “South”, “Central”, “North-South”, “North-Central”, “Central-South” (see example below for tab layout). One workbook must be submitted with each Offeror’s proposal, regardless of the number of GSAs bid. The tabs labeled North, South and Central should be developed under the assumption that the Offeror will win that specific GSA and no other. Thus each individual GSA non-benefit costs bid stands alone. The tabs labeled North-South, North-Central and Central-South should be developed under the assumption that the Offeror will win that GSA combination and no other. If an Offeror is not bidding on a GSA(s) or that GSA combination, the non-benefit costs bid for the GSA(s) or GSA combination should be marked NA. Any tab left blank or any tab deleted is assumed to be NA.

### **Non-Benefit Costs - Input Descriptions**

- Green cells are numbers provided/set by AHCCCS for the purposes of bidding/comparing bids
- Pink cells are for numbers submitted by the Offeror
- Blue cells are formulas
- With the exception of cell B8 (% of Admin PMPM that is Fixed) and cells B29-D29 (Underwriting Gain), all Offeror inputs should be PMPMs
- Cell B7 (Total Admin PMPM (All Admin Expenses)) should match cell B26 (Total Admin PMPM)

### **Administrative Bid Information**

Offerors should use the following definitions for determining the percentage of administrative costs that is fixed and variable:

- Fixed Costs are costs that do not change in relation to utilization or enrollment. At a minimum these costs should include the salaries, employee related expenses, and related operating costs for all required key staff and additional required staff/positions listed in the contract
- Variable Costs are costs that change with utilization and/or enrollment changes

The Offeror’s administrative bid must meet the requirements of 42 CFR § 438.5(e), except that any potential start-up expenses should be excluded from the bid (AHCCCS does not reimburse start-up costs). If the administrative bid includes a management fee, the management fee must be broken out into the categories shown in the pink cells. Offerors should detail administrative costs by the line items listed below and utilize the Other Administrative line only when no other line applies. (Other Administrative costs should be no more than 5% of the total administrative amount). Additionally, AHCCCS has a mechanism for ensuring capitation rates include the appropriate amount of premium tax

for the Contractor, so premium tax should be excluded from the Offeror’s administrative bid.

AHCCCS is providing projected member months by GSA (green cells) and GSA Combination that all Offerors should assume as their membership for the bid submission.

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

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

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

**Underwriting Gain Bid Information**

AHCCCS has not previously used underwriting (UW) gain as a bid item. For this component, AHCCCS allows the Offerors to bid value(s) for each GSA or GSA combination greater than zero and less than or equal to one percent of the gross medical component for each of the first three years of the contract. It is AHCCCS’ intent to use the UW gain bids. AHCCCS is awaiting CMS requirements of the actuarial certification for the UW gain if it is bid rather than developed by AHCCCS’ actuaries. If AHCCCS elects not to apply the conditions required by CMS for documentation, the UW gain bid will not be used in the capitation rates and AHCCCS will set the UW gain equal to one percent of the gross medical component.

The actuarial certification must describe the development (data, assumptions and methodologies) of the non-benefit costs (administrative and UW gain bids) in enough

detail so an actuary applying generally accepted actuarial principles and practices can identify each type of non-benefit cost bid and evaluate the reasonableness of the cost assumptions underlying each expense in accordance with 42 CFR § 438.7(b)(3). The actuarial certification must include a statement and a description of why the Offeror has no concern with meeting the capitalization requirements with the UW gain bid. Further clarification on documentation can be found in the 2017-2018 Medicaid Managed Care Rate Development Guide.

<https://www.medicaid.gov/medicaid/managed-care/downloads/guidance/2018-medicaid-rate-guide.pdf>).

**Tab Layout** (numbers are for **demonstration purposes only**)

<b>GSA X</b>			
Member Months to Use for Bidding		1,000,000	
<b>Administrative Bid Component</b>			
Total Admin PMPM (All Admin Expenses)	\$	25.00	
% of Admin PMPM that is Fixed		40.00%	
% of Admin PMPM that is Variable		60.00%	
<b>Detail Admin Break Out</b>			
Compensation	\$	8.75	
Occupancy	\$	7.50	
Depreciation			
Care Management/Care Coordination	\$	0.50	
Professional and Outside Services	\$	1.25	
Office Supplies and Equipment	\$	3.75	
Travel	\$	0.25	
Repair and Maintenance			
Bank Service Charge			
Insurance			
Marketing	\$	0.50	
Interest			
Other Administrative	\$	2.50	
Total Admin PMPM	\$	25.00	
<b>Underwriting Gain Component</b>			
	Year 1	Year 2	Year 3
Underwriting Gain	0.50%	0.50%	0.55%