

H. BUSINESS CONTINUITY, DISASTER RECOVERY AND EMERGENCY PREPAREDNESS

Describe the Proposer's business continuity, disaster recovery and emergency preparedness plans. Address how the Proposer will participate in disaster recovery when a disaster occurs and a state of emergency is declared by the Governor or designee. Suggested number of pages: 2

ONSITE INTERVENTION AND SUPPORT

Magellan takes disaster preparedness very seriously in all of our operational areas. We know that Louisiana faces special challenges in addition to the potential challenges that face every public service provider today. Magellan, like many other national companies, has been touched profoundly by the plight of our members, neighbors, and loved ones who were affected by the Gulf Oil spill, as well as Hurricanes Katrina and Rita. Surviving a hurricane or other natural disaster is one of the most traumatic experiences any person can endure.

Our disaster outreach activities often continue after the disaster is no longer front page news. For example, in Louisiana Magellan is part of the "Our Home, Louisiana Coalition." The Coalition was formed to improve the health and welfare of Louisianans affected by the crisis in the gulf. We have had the opportunity to work closely with the coalition sponsor in providing tip sheets and provider lists for the coalition web site. Magellan is also staffing each Coastal Care Fair with a provider who can talk with people in the community who are affected by the oil spill and may be experiencing some depression or anxiety. Another way Magellan is supporting individuals affected by the oil spill is through a dedicated 800 number. Magellan employees staff the phone line and are available to provide resource names and information to those in need. The resource line provides Louisiana coastal residents affected by the oil spill with help in coping with this ongoing situation by providing access to educational materials, support agencies and additional community resources. Additionally, Magellan donated \$25,000 to support a project that will be sponsored by Mercy Family Center. This program targets children, parents and teachers in the affected parishes. We also hope to have Magellan clinicians and employees support this initiative.

Magellan is prepared to meet the challenges presented by any disaster whether it is a local power outage or a far more serious situation. Our comprehensive disaster preparedness allows us to continue serving recipients no matter how large a disaster we face. At the time of the terrorist attacks, Magellan Health Services operated a CMC in New York City—close enough to "ground zero" that the building was evacuated. The CMC leadership implemented the disaster plan, temporarily transferring all telephone lines and operations to other Magellan CMCs, notifying the affected customers of the temporary transition, and safely evacuating all staff from the building. The building remained closed on September 12 and reopened briefly on September 13 before it was evacuated and closed again for the rest of the day. Magellan resumed full operations at the site on September 14, 2001. The New York CMC operations data for the month of September 2001 reveal how smoothly the disaster transition occurred. Customer service telephone statistics showed a call volume only slightly below normal, with a call abandonment rate of less than two percent and an 18 second average speed of answer. There were no complaints from providers, recipients, or Magellan customers related to the temporary relocation of operations. All turnaround timeliness goals were met for complaint resolution, expedited and routine utilization management service authorizations, and appeal decisions and notification.

Magellan's planning and preparedness for disaster and recovery encompasses three levels:

- ◆ planning for Magellan's own local operations and management information systems (MIS) for our Louisiana business
- ◆ ensuring the continuation of network providers' services
- ◆ providing supports for recipients as they try to cope with natural disaster.

In Section 2.g.xiv of the Technical Requirements, Magellan outlines a comprehensive discussion of our Disaster Recovery plan covering our IT systems, call centers and data center facilities. This discussion includes details covering:

- ◆ Data backup and restoration
- ◆ Offsite storage of vital business and customer data
- ◆ Systems recovery through a remote hot site
- ◆ Continuity of telephone operations
- ◆ Plan rehearsal and testing results.

SERVICE DISRUPTION PREVENTION

Call Centers: Magellan operates call centers across the continental United States. To ensure consistent high quality customer services during temporary office closures or telecommunication disruptions, telephone traffic may be rerouted from any Magellan call center, including After Hours, to an alternate call center restoring critical customer services within a matter of minutes.

Secure VPN access is provided to key employees enabling them to work from home should office facilities be unavailable or unusable due to sustained damages, isolation, quarantine, etc. In combination, these two measures also counter the impact of high absenteeism generally associated with a pandemic event.

Data Center: Magellan has taken steps to eliminate or reduce to a minimum, unplanned data and telecommunication systems outages using current hardware and software technologies. Unplanned downtime exposure during day-to-day operations is significantly reduced with backup power generation systems, hosted environmental and systems monitoring applications, computer system and network hardware redundancies, mirrored disk, and data replication. Some of these technologies also serve to expedite critical systems recovery following a catastrophic event.

I. IMPLEMENTATION PLAN

Provide an Implementation Plan that addresses the requirements of this RFP, including but not limited to establishing a Louisiana site, recruitment, hiring and training personnel, network development, and IT. The Implementation Plan should include tasks, milestones, due dates, and parties responsible. Provide a narrative that describes the Proposer's approach to implementation, highlighting tasks identified in the implementation plan.

We have included a detailed implementation plan as Attachment 3. This plan identifies all of the primary tasks, the assigned individuals, start and expected completion dates, and is summarized by core functional area. Our implementation plan supports Louisiana's vision for the evolving system of care that is the foundation of our response.

Our implementation plan and the narrative below reflect the fact that transformation of the system in Louisiana will be based upon the strengths of the existing system and will be an ongoing process. Partnership among consumers, families, advocates, service providers, DHH-OBH and Magellan as the SMO will be an essential component of successful system change. Our plan focuses on change occurring simultaneously on the state and local regional levels. Focusing on pivotal issues and opportunities, transformation will be a learning process requiring ongoing modifications, adjustments, and refinement. Our implementation plan does not end on the "go live" date. Instead it is an ongoing plan that is designed to have a fully operational infrastructure prior to go live coupled with thoughtful planning of ongoing activities that support the DHH-OBH vision for Louisiana. As such, we have included critical milestones in each of the following areas:

- ◆ Children's System of Care
- ◆ Children and Youth – not part of the SOC
- ◆ Adults with Serious Mental Illness
- ◆ Adults with Substance Abuse Problems
- ◆ Adults with Co-Occurring Disorders (MH/SA)
- ◆ LGEs
- ◆ Crisis System
- ◆ Information Systems/Outcomes
- ◆ State-level interagency policy alignment, pooling of funds, etc.
- ◆ Resource Development Initiatives
- ◆ Family member and consumer organization development, peer services, self-directed care, Workforce training/ development.

IMPLEMENTATION OVERVIEW: MAGELLAN’S PLAN FOR TRANSITION WITHOUT SERVICE DISRUPTION

Thoughtful implementation planning provides an opportunity to address the concerns of providers, members, advocacy groups, and other stakeholders while ensuring that they have critical information regarding any new program processes or requirements. From the first day of providing behavioral health managed care services in Louisiana, members, the DHH-OBH and other members of the LBHP must be confident that high quality, effective behavioral health services are accessible and that continuity of care is a priority. Magellan has extensive national experience managing seamless and effective implementations for a large number of public behavioral health managed care systems. These implementations include succeeding other vendors and implementing new and innovative managed care systems where none previously existed. Magellan has the depth of experience, competencies and capacities to implement a successful managed care transition that is tailored to the needs and objectives of DHH and Louisiana stakeholders.

From the time of contract award to the time of its actual implementation, Magellan will partner with DHH and other members or the LBHP to establish a managed care program that meets and exceeds the required expectations of the contract. We adhere to the principle of “no surprises” when it comes to our relationship with our customer and envision the following elements as fundamental to our collaborative approach to transition:

- ◆ finalization of a plan and required milestones and approval by DHH
- ◆ establishment of an implementation team made up of functional work groups
- ◆ weekly monitoring of the progress towards milestones and assessment of any needed “mid-course” corrections with meetings more often, as needed, to address implementation barriers in key program areas
- ◆ commitment to clear communication and transparency with DHH in establishing and implementing the contract provisions
- ◆ stakeholder engagement, that includes members , families, providers, advocates, pertinent Louisiana stakeholders and other groups identified by DHH in a collaborative process
- ◆ proactive outreach to members and their families to assure that they know how to access services.

The functional workgroups that will compose the implementation team will be led by experienced Magellan professionals with expertise in the following areas:

- ◆ project management
- ◆ information technology
- ◆ clinical/medical recovery and resiliency
- ◆ network
- ◆ quality improvement
- ◆ operations
- ◆ training

- ◆ human resources
- ◆ claims.

SEASONED MAGELLAN IMPLEMENTATION TEAM

The transition from the current system to the SMO structure must ensure care continues to be delivered and that disruption to the system as a whole is minimized. DHH can be confident in Magellan's ability to ensure this care continuance because we have done this before in each of our programs. We propose the implementation team be led by Deborah Happ, Ph.D., Vice President, Public Sector Operations, who has led multiple successful public sector implementations throughout her career, including six programs in the past five years, one of which was a transition of the nation's largest behavioral health program, the Maricopa County Regional Behavioral Health Authority in Phoenix, Arizona. Dr. Happ will serve as the primary contact person for DHH during the implementation phase of the contract.

Dr. Happ will be responsible for assuring that all established plan milestones leading up to and following our go live are met. She will be supported by the talent and expertise of our national public sector solutions team and many others within the Magellan organization. Dr. Happ has been with Magellan for 13 years and is uniquely qualified to lead this effort.

Table 2.i.1 provides team members from our national Public Solutions team who worked with Dr. Happ in the implementation of other large programs, and who will serve as functional team leads. All of these team members will continue to provide ongoing support throughout the life of the contract. Whatever staff resources are needed to assure a transition that maintains continuity of care and minimizes disruption will be directed to the effort.

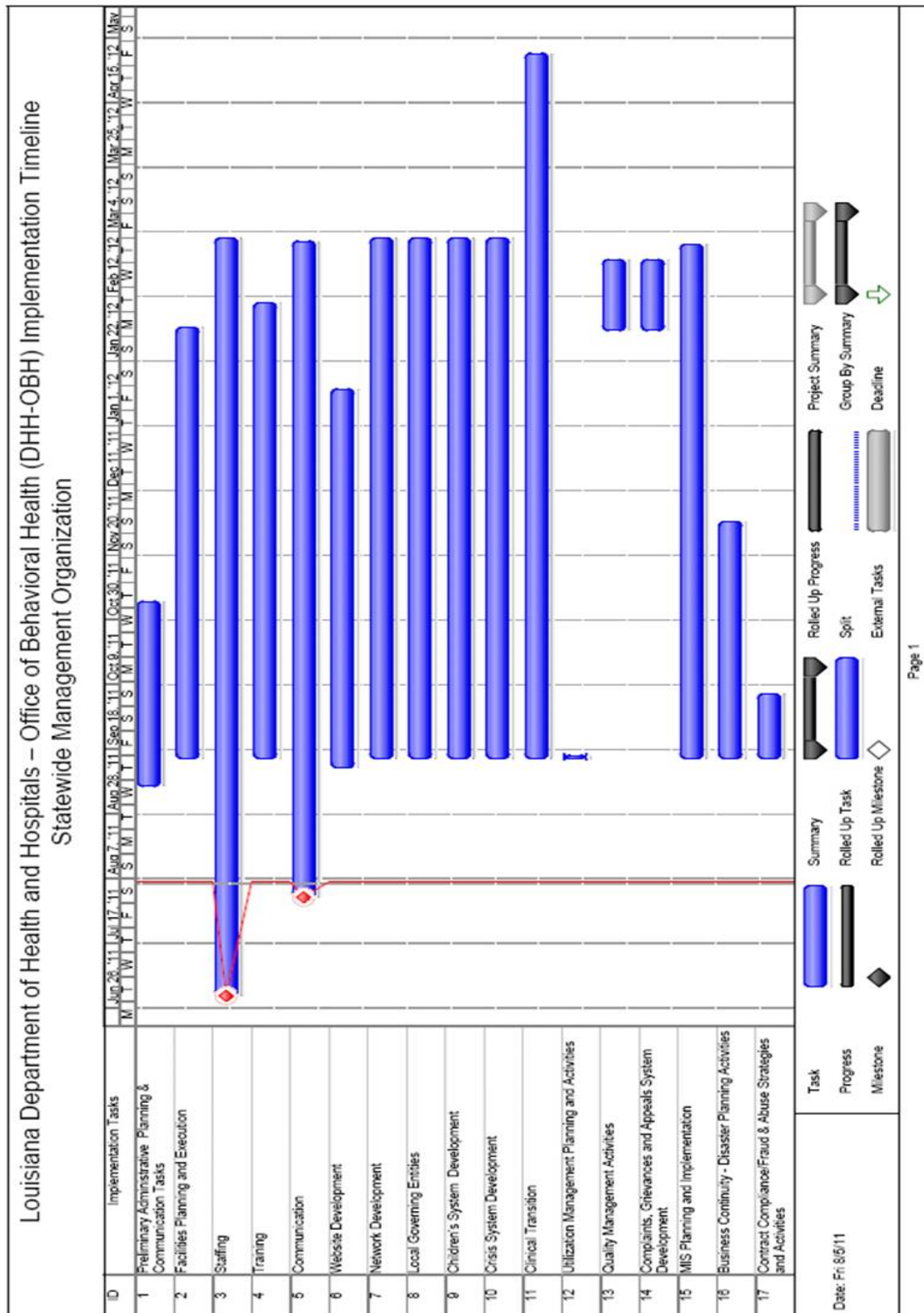
Table 2.i.1—Expert Team Members

Expert Name	Area of Expertise
Rick Kamins, Ph.D.	Clinical
Gary Henschen, M.D.	Medical
James Stringham	Operations
Joann Albright, Ph.D.	Quality Improvement
Matt Miller	Network
George Kaigh	Information Technology
Jennifer Tripp	Recovery and Resiliency
Joanne Lawrence	Claims
Pamela Cannon	Human Resources/Training

Following contract award, Magellan's public sector implementation team will be deployed to Louisiana to continue building on pre-award implementation activities and the successes we have experienced in other programs. These team members have worked together for the past several years on new business implementations, as well as

expansions of existing programs. This team will be dedicated to ensuring the implementation plan is fully executed in a timely manner and will be supplemented by permanent staff that we will begin to hire immediately upon notification of award. As permanent staff is hired, implementation team members will gradually transition to an ongoing mentorship and oversight role, but will remain actively involved in the Louisiana Behavioral Health Partnership Program. An overview of the implementation timetable is provided in Figure 2.i.1.

Table 2.i.1—Implementation Timetable Overview



SUCCESSFUL IMPLEMENTATION: MARICOPA COUNTY, AZ CASE STUDY

In June 2007, the Arizona Department of Health Services selected Magellan to manage behavioral health care for Medicaid and other service recipients of Maricopa County, the largest and most complex behavioral program in the nation at the time. Magellan replaced the vendor of nine years, ValueOptions. We completed the transition and implementation in 80 calendar days (59 business days), deploying 300 individuals in all program areas from across the country. Within those 59 days we successfully accomplished the following:

- ◆ reviewing more than 5,000 resumes and conducting 1,200 interviews
- ◆ hiring 1,700 new associates
- ◆ designing, writing, and distributing 70,000 consumer handbooks
- ◆ developing 243 information technology (IT) interfaces
- ◆ configuring and installing 2,132 desktop computers, 61 servers, and 367 laptops
- ◆ installing 2,479 phones
- ◆ developing 25 Internet applications, modifying 120 others, and creating two fully functional Web sites
- ◆ contracting, credentialing, and negotiating rates with 100 organizational providers
- ◆ credentialing 1,200 individual providers
- ◆ training 1,300 employees on the new program and the IT system
- ◆ setting up 4,000 online users and 25 training modules.

ACQUIRING AND/OR DEVELOPING A LOCATION IN THE STATE

Magellan has already identified several potential properties in Baton Rouge for our Louisiana CMC staff location and infrastructure. The CMC will be located at a site to be selected from upon award.

All of the spaces Magellan has considered offer a variety of benefits including their location and “plug and play” layout that allow each space to be readily configured for behavioral health operations in a short timeframe, with minimal build-out necessary. We have an agreement with the property management company including a right of first refusal on leasing the spaces. Upon notification of contract award we will sign the lease and begin implementation operations.

Magellan is also willing to co-locate personnel with LGEs and high volume facilities, with DHH-OBH approval. Having care management personnel housed in the same location will be an asset for coordination, training and technical support and will result in the sharing of best practices that will improve consumer outcomes. We have experience co-locating with a variety of partners including health plans, State and County customers, providers and facilities, arrangements which result in improved communication and continuity.

HIRING AND TRAINING OF STAFF

Our efforts to develop a strong, stable workforce to serve as the SMO in Louisiana incorporate competitive salaries and benefits, creating and maintaining a positive work environment. In addition, performance-based incentive programs will be available to Magellan staff at all levels and are designed to reward excellence and commitment to both Magellan's and the Louisiana Behavioral Health Partnership (LBHP) mission and goals. In an effort to assure a smooth transition, we will partner with DHH-OBH in hiring senior staff for the program.

RECRUITING PRACTICES

Upon RFP release, we began analyzing the region's demographic data and gathering input from local advocacy organizations and providers to assess the composition and needs of the service area. Using these data, we will develop recruitment strategies to identify candidates with the skill sets needed to provide service excellence, as well as to reflect the cultural, ethnic, and racial composition of Louisiana. We have already taken the following steps:

- ◆ identified an internal recruitment team that is responsible for hiring for the SMO to manage the LBHP.
- ◆ posted electronic solicitations for Key Personnel and Required positions on Monster.com and CareerBuilder.com, as well as Behavioral Healthcare E-Newsletter, NASW/Socialworkers.org, Behavioral.net, Minority Nurse, and Elmundoboston.com.
- ◆ placed ads in the print media outlets such as the New Orleans Times Picayune, Shreveport Times, Lafayette Advisor, Houma Courier/Comet, Daily Iberian, Baton Rouge State-Times Advocate, Gonzales Weekly Citizen – Nickel Ads, and The Weekly Press.
- ◆ connected with Army Transition Assistance Advisors in Louisiana representatives Richard A. Whitney and Mary Dauzat to discuss work opportunities for Wounded Warriors.

Strategies we will employ after contract award and during implementation include the following:

- ◆ Continued on-line and print media advertising.
- ◆ Recruitment fair in the Baton Rouge and Shreveport regions of Louisiana.
- ◆ Development of a referral program that offers employees a bonus for referrals that are subsequently hired and remain with the company for at least three months. This encourages our team members to recruit people they know would be a good fit with our organization
- ◆ Our hiring managers will emphasize our commitment to diversity. Recruitment efforts will reflect the customized Affirmative Action Plan we will develop for our new Louisiana area office.

TRAINING

Magellan takes a multipronged learning approach to information-sharing and training by providing multiple ways for staff to engage in learning, sharing, and training. Training is enhanced by the knowledge and insight gained through community liaisons supporting our philosophy that training needs to be conducted in the context of the environments in which we are operating. Training modalities include live training events, webinars, in-services, computer-based training, and cross-functional roundtables/lunch and learns. All training materials are housed on MagNet, Magellan's

intranet, and are available on demand to all employees. Pre and post tests are conducted in order to measure learning of key concepts. Finally, participants have a chance to offer feedback allowing us to continually improve on the quality and content of our training offerings.

Our comprehensive training program for the LBHP will be designed to empower all staff members to assist all callers as completely as possible and to provide staff with the skills necessary for first call problem resolution. Magellan utilizes our Progressive Learning Program (PLP) to provide initial training to member services staff. PLP is a three week initial training program conducted by our national learning department with assistance from our dedicated Louisiana training specialist. The program consists of a series of discrete, task-focused modules that blend policy, procedure, and systems instruction. Small group discussion, self-directed study, research, role play and simulations, and online learning are tools used to acclimate new employees to the call center environment and the specific duties of their job. After classroom training, an experienced peer serves as a role model, resource, and learning coach to assist in transitioning the new employee into his job role and serve as a mentor for ongoing professional progression.

All SMO program staff members will receive a thorough orientation to Magellan and the Louisiana contract provisions including all community resources, and all policies and workflows specific to the program. Respect for a caller's privacy during any conversation and subsequent communication is stressed throughout the training process. Training will include an overview of the program including regional differences; review of populations being served; contract-specific requirements and workflows; integration of care; enrollment/disenrollment procedures; community resources; provider network; covered services; HIPAA; compliance, security, privacy and fraud; telephone professionalism; team roles and responsibilities; rights and responsibilities of consumers; recovery and resiliency; cultural competence; online resources, (including *MagNet*; identifying and handling crisis calls; use of the phone, including dialing out, receiving calls, transferring calls, and using voice mail. Member Services Representatives (MSRs) receive additional training on use of the clinical system for MSRs, including entering a contact note; preparing a case for a care manager; referrals for routine outpatient services; provider search database; eligibility lookup; authorization inquiries; claims inquiries; documentation of complaints; handling hostile callers.

Monitoring and Oversight. Ongoing training, feedback, coaching and supervision are provided through our standardized process of service observation and evaluation. When errors in performance are identified, specific training is provided immediately. Magellan uses the Qfiniti Enterprise suite, a comprehensive and integrated system designed to enable the Company to deploy proven, scalable quality monitoring and evaluation programs. We utilize Qfiniti Observe to record voice and screen interactions, Qfiniti Advise to provide call center staff evaluations, and Qfiniti Expert to provide e-learning to our staff.

LBHP-SPECIFIC TRAINING FOR SUPPORT LOCATIONS

Prior to Louisiana contract going live, disaster recovery staff in our Des Moines Iowa, and St. Louis, Missouri CMCs will be trained on the LBHP program including the provider network, State resources, community resources, and all policies and workflows specific to Louisiana, so that any associate answering a member or provider call will be able to handle the call appropriately no matter where they are located. This training will be coordinated by the member services administrator and supervisor. MagNet has shared resources for all care management centers. It is designed to assist Magellan employees to handle calls quickly and accurately. All staff will have immediate access to all LBHP contract specific policies, resources, workflows, training materials, and forms, in addition to standard Magellan information and links to compliance or employee tools. With just one click staff will have access to all Louisiana specific member and care management resources.

NETWORK DEVELOPMENT

Being accountable to consumers, family members, the State, and all stakeholders in Louisiana translates to making certain the network meets the exact specifications of the DHH. We will ensure continuity of care for members by offering contracts to all providers that currently provide services to Louisiana consumers and that meet Magellan contracting requirements, into the Magellan network. Our network development activities are driven by the commitment to provide a seamless conversion for consumers and their families as the system transitions from the current system.

INITIAL NETWORK DEVELOPMENT PLAN

Magellan has designated a team of professional contract managers and provider relations staff to implement the formal contracting process in Louisiana immediately upon contract award. The entire network implementation team will take a proactive approach to credentialing and contracting the existing network. Magellan will provide the State with a complete project plan including timelines for key deliverables to make sure the network is contracted prior to the transition. All current providers in the delivery system will continue to serve Louisiana consumers so there will be no disruption in care.

A dedicated network project manager will assist the network staff to ensure all providers are credentialed and contracted in a timely and efficient manner. Credentialing applications will be mailed to all organizations and practitioners. Network staff will provide technical assistance to providers throughout the credentialing process. Our contracting process has three basic elements:

- ◆ **Credentialing**—along with verifying that providers are qualified and eligible to receive Medicaid funding, our credentialing process allows us to gather site and service specific data so contracts can be executed accurately
- ◆ **Contracting**—documents are prepared and presented to providers for review and comment, any question about contract language are clarified at this time
- ◆ **Execution**—upon completion of the review process, which ensures rates and services are loaded in our system and are reflected accurately on the agreement, we execute the contracts.

We have a successful track record of bringing up statewide and complex behavioral networks expeditiously and efficiently, and are confident we will do the same in Louisiana.

IT

The Magellan IT staff employs a matrix organization consisting of experienced technical professionals to develop the systems necessary to support the LBHP initiative. Most of these IT team members have worked together on multiple account implementations over the past 5-10 years and bring to the project a focused, collaborative approach to systems design, development and testing, and promotion to production. The IT effort will be led by an assigned IT project manager (PM) responsible to the implementation director, Dr. Happ, for ensuring systems are delivered to support the overall account implementation.

Magellan uses the principles and industry best practices espoused by the Project Management Institute (PMI) to manage our IT projects. Certified Project Management Professionals (PMP) will be in place at critical positions on the

team and will oversee the planning, executing and controlling, and closing phases of the project. These PMP bring with them the experience of having lead several aspects of the Maricopa County implementation and other large complex projects for Magellan including multiple global systems migrations. Upon contract award our project management team will lead the effort in concert with the Dr. Happ and the rest of the implementation team to define the scope and associated IT deliverables, draft the project schedule, develop risk management, quality, and communications plans, and ensure compliance with the project schedule. Recurring status reports will be provided to senior leaders and issues impacting IT deliverables will be escalated to the appropriate management team for timely resolution.

During the planning phase Magellan's IT team will conduct a detailed requirements analysis identifying major and supplementary deliverables to support the DHH account. These include the required membership and other interfaces, clinical and claims system configuration, provider systems, web functionalities, configuration of the Enterprise Data Warehouse, and report development. As part of the local office build out the IT Operations team will plan for and setup the local systems infrastructure to include telecom, datacom, LAN/WAN capabilities, and desktop support. Disaster recovery plans will be also be drafted or modified as necessary.

Magellan will use our proprietary version of ClaimTrak as the Web-enabled clinical front-end application to support Magellan clinical staff and the network providers. This versatile application is being used successfully for our Maricopa County account supporting our clinical team as well as local direct care provider organizations. The ClaimTrak application is directly integrated with other Magellan information systems and interfaced to state systems for eligibility and enrollment, encountering and reporting. Existing functionalities within ClaimTrak also include scheduling, claims submissions using HIPAA 837/835 formats, HIPAA 834 intake processing, e-prescribing, direct lab test interface, multiple formularies based upon eligibility and the capability to conduct a health risk assessment as a tool to clearly identify recovery needs.

Upon the launch of the account, this dedicated IT project management team will remain in place for a period of time to provide post-launch support to the Magellan team in Louisiana as well as supporting the ongoing system transformation efforts within the State.

J. SUBCONTRACTING

Describe the Proposer's plan to mandate subcontractors' acceptance of all contract requirements and monitoring protocol to ensure that subcontractors' accounting and financial controls are adequate to permit the effective administration of the contract. Suggested number of pages: 2

The organization that is bidding on this RFP is Merit Health Insurance Company, an indirect wholly owned subsidiary of Magellan Health Services, Inc. Merit Health Insurance Company is an Illinois domestic insurance company authorized to conduct health insurance business in the State of Louisiana. Merit Health Insurance Company will engage two affiliates as subcontractors for this program: Magellan Behavioral Health, Inc., which is a licensed utilization review agent in the State of Louisiana and Magellan Behavioral Health Systems, LLC, which is a licensed third party administrator in the State of Louisiana. Merit Health Insurance Company and these affiliates are referred to in this proposal collectively as "Magellan."

If at any point Magellan enters into a relationship with a new subcontractor for work provided under the terms of this contract, we will (i) mandate that the sub-contractor accept all contract requirements; and (ii) monitor performance to ensure the sub-contractor's accounting and financial controls are and remain adequate throughout the term of the sub-contract, as described below.

PLAN FOR SUBCONTRACTOR COMPLIANCE

Magellan will not contract with any other party for furnishing any of the work and professional services required by the contract without the express prior written approval of the DHH-OBH. We will not substitute any subcontractor without the prior written approval of the DHH-OBH. When necessary, Magellan selects subcontractors that can provide the required services in the most efficient and cost effective manner. We employ a due diligence process that includes confirming that the vendor is financially solid, has the appropriate capabilities and personnel to provide the goods or services required, and that the subcontractor is not on any list of excluded companies as compiled by various state, local, or the federal government.

Magellan will evaluate the prospective subcontract's ability to perform the activities to be delegated. Qualifications and minimum experience requirements vary based on the subcontracted service. Magellan has a standard due diligence process which includes confirming that the vendor is financially solid, has the appropriate goods and services required, and that the subcontractor is not on any list of excluded companies as compiled by various state, local, or the federal government.

Magellan will oversee and hold subcontracts accountable for any functions and responsibilities that it delegates. Our credentialing and recredentialing policies will comply with federal and state regulations. We understand that we are not obligated to contract with any provider unable to meet contractual standards. In addition, Magellan is not obligated to continue to contract with a provider who does not provide high quality services or who demonstrates utilization of services that are an outlier compared to peer providers with similarly acute populations and/or compared to the expectations of the Contractor and State. Our provider selection policies and procedures will not discriminate against particular providers that serve high-risk populations or specialize in conditions that require costly treatment.

Magellan will have a written contract that specifies the activities and report responsibilities delegated to the subcontract; and provides for revoking delegation, terminating contracts, or imposing other sanctions if the subcontract's performance is inadequate. We will monitor all subcontracts' performance on an ongoing basis and subject it to formal review according to a periodic schedule established by the State, consistent with industry standards or state laws and regulations. We will identify deficiencies or areas for improvement, and the subcontract shall take corrective action.

For subcontract(s), before commencing work, Magellan will provide letters of agreement, contracts or other forms of commitment which demonstrates that all requirements pertaining to the Contractor will be satisfied by all subcontracts through the following:

1. The subcontract(s) will provide a written commitment to accept all contract provisions
2. The subcontract(s) will provide a written commitment to adhere to an established system of accounting and financial controls adequate to permit the effective administration of the contract
3. All subcontracts shall fulfill the requirements of 42 CFR Part 438 that are appropriate to the service or activity delegated under the subcontract.

Magellan has an in-house vendor management department that oversees subcontractor activity, including quality, and uses standardized audit tools, on-site vendor reviews, and contract and performance guarantee standards. Magellan sets service standards for our subcontracted vendors that are designed to support Magellan in meeting our own standards and performance guarantees and can be included in vendor contracts as performance guarantees for vendors. As part of our service standards, subcontracted vendors must conduct satisfaction surveys. Client satisfaction with services must equal 90 percent of satisfaction overall. Magellan expects each vendor to have an internal quality management and quality improvement program. Internal quality management processes cover areas such as corporate policy on quality expectations for service provider, complaint management, and quality measures. Magellan's contracts with vendors require that those subcontractors maintain compliance with all applicable HIPAA privacy and security requirements, including those that apply to EDI. These contracts have performance guarantees and contain a clause giving Magellan the right to audit.

K. INSURANCE REQUIREMENTS AND RISK AND LIABILITY

i. Describe the Proposer's corporate policy regarding risk and liability insurance coverage. Provide declaration page for each policy that illustrates compliance with the risk and liability insurance requirements of the RFP (not included in suggested number of pages). Suggested number of pages: 2

We will maintain adequate protection against financial loss due to outlier (catastrophic) health care claims and customer utilization that is greater than expected for all applicable periods of the contract through a parental guaranty from our parent company. The guarantee will not require a premium, nor will it be subject to any deductibles, co-insurance, or coverage limits.

Magellan Health Services, Inc. maintains insurance coverage for the exposures of its operations. The insurance policies can be categorized into the following areas:

Magellan purchases a managed care Errors and Omissions (E&O) liability insurance policy to cover its managed care activities, such as case management, credentialing, utilization review, and so on.

Managed Care Errors and Omissions Liability	
Carrier	AISLIC (AIG)
Entity covered	Magellan Health Services, Inc., and its subsidiaries, including the bidding entity Merit Health Insurance Company and its affiliates Magellan Behavioral Health, Inc and Magellan Behavioral Health Systems, LLC
Coverage limits	\$10 million per claim/\$10 million in aggregate limit

Magellan maintains general liability insurance to cover its general business activities.

General Liability	
Carrier	Lexington Insurance Company (AIG)
Entity covered	Magellan Health Services, Inc., and its subsidiaries, including the bidding entity Merit Health Insurance Company and its affiliates Magellan Behavioral Health, Inc and Magellan Behavioral Health Systems, LLC
Coverage limits	\$1 million per claim/\$3 million aggregate limit

Magellan maintains workers' compensation insurance to insure work-related injuries of its employees.

Workers' Compensation/Employers Liability	
Carrier	Travelers Property Casualty Company of America
Entity covered	Magellan Health Services, Inc., and its subsidiaries, including the bidding entity, Merit Health Insurance Company, and its affiliates Magellan Behavioral Health, Inc and Magellan Behavioral Health Systems, LLC

Workers' Compensation/Employers Liability	
Coverage limits	Statutory; Employers Liability: \$1 million per accident/per employee/aggregate limit

Magellan maintains crime (also known as fidelity bond) insurance to protect its assets against risk of loss.

Crime (Fidelity Bond) Insurance	
Carrier	Zurich American Insurance Co.
Entity covered	Magellan Health Services, Inc., and its subsidiaries, including the bidding entity, Merit Health Insurance Company, and its affiliates Magellan Behavioral Health, Inc and Magellan Behavioral Health Systems, LLC
Coverage limits	\$15 million per occurrence/no aggregate limit

Magellan maintains property insurance coverage, including casualty and fire, for its properties.

Property Insurance	
Carrier	Federal Insurance Co. (Chubb)
Entity covered	Magellan Health Services, Inc., and its subsidiaries, including the bidding entity, Merit Health Insurance Company, and its affiliates Magellan Behavioral Health, Inc and Magellan Behavioral Health Systems, LLC
Coverage limits	\$250 million policy limit

The current insurance carriers, policy effective dates, limits of liability and other important policy details for each of these types of coverage are contained on the attached specimen certificates of insurance found in Attachment 4.

Furthermore, Magellan's general policy with regard to physicians and hospitals is to require minimum professional liability limits of \$1 million/\$3 million, subject to exceptions where warranted. Individual non-physician providers are only required to maintain professional liability limits of \$1 million/\$1 million, subject to exceptions where warranted.

ii. If there is no current coverage or coverage does not cover all RFP requirements, provide an explanation on how the Proposer will meet the risk and liability insurance requirements of this RFP. Suggested number of pages: 2

Not applicable.

I. TRANSITION PLANNING

Describe a Contract that either the Proposer of a government client cancelled or terminated and the Proposer's approach to transition planning particularly in relation to assuring that member services were not interrupted. Provide a client reference to verify this experience. Suggested number of pages: 2

Magellan has had no contract of a government client cancelled or terminated in advance of a known contract ending date. To answer this question we describe our experience in Tennessee where the State made a decision to change the contracting model from a carve-out delivery model with a distinct managed behavioral health organization providing services to a carve-in delivery model where behavioral health services are provided by the health plan. This change was not related to any performance issue and Magellan was not eligible to bid on the new model as it was required that the bidder be a comprehensive health plan.

As we do in implementing new business, our goal in transitioning business to a new vendor is to provide a seamless transition for members, providers, and our customers with a key focus on ensuring that services to members in treatment is not interrupted. Our experience of transitioning out of the State of Tennessee after 12 years of providing service to nearly 72,000 TennCare members during the last year of the contract serves as a good example of our member and customer focused approach to transition planning. At the time of the transition, we were embedded in the community and had established a collaborative working relationship with the State, providers, and members. Even though we were transitioning out of the state, it was important that we continue to provide the consistently high levels of service and accountability that our stakeholders had become accustomed to. The State transitioned the business to their new model over a period of three years. The first region to move to the new health plan vendor was the middle region. This was followed by the east and west regions. We continued to provide service to a small portion of child welfare business for another six to eight months after the transition of the three regions.

Our transition was guided by a thoughtful plan and ongoing communication with our State customer; State sign off on all plans and communication materials; and, ongoing support provided to the State for a one year period after the new vendors began delivering care. Our commitment to managing the transition was driven by our determination to meet all contractual requirements while simultaneously making the transition as easy as possible for members, providers, and our State customer.

Magellan's Vice President of Operations, Deb Happ Ph.D., served as the single point of contact for the State during the transition, as well as for a period of one year afterward. Dr. Happ fielded issues from the State, facilitated prompt issue resolution within the Magellan organization, and communicated back to the TennCare officials as appropriate. This single point of contact ensured ease of access for the State. We also identified claims and clinical staff within our organization that were familiar with TennCare that would assist Magellan and Dr. Happ in quickly resolving issues. All mail was also forwarded to Dr. Happ to ensure no communications were missed.

Our proposed transition plan was reviewed and approved by the State. In addition, weekly meetings were scheduled with the TennCare personnel to review the plan and progress. We also developed a separate list of deliverables that were due throughout and after the transition period. The deliverables were reviewed and approved by the TennCare officials to ensure all parties had a clear understanding of all deliverables and their respective due dates.

The State determined instances in which we would work directly with them or with the new vendor based on the subject matter of the transition. For example, many of the reports that dealt with members currently in treatment were sent to the TennCare personnel and they subsequently handed them off to the new vendor. In others areas, we collaborated directly with the new vendor to achieve the customer's goals. For example, we worked with the State to determine the length of authorizations for services to members as we neared the transition date. This ensured there were no gaps in care for members during the transition.

Additionally, we ensured we had a continuously updated transition staffing plan in place. Magellan's goal was to maintain necessary staffing levels to effectively meet the day-to-day business requirements throughout the transition period. Our plan was continually monitored by Tenn Care personnel and readjusted throughout the transition. We gave advance notice to staff who were to be laid off. If an employee not scheduled for immediate layoff resigned, we would offer the opportunity to another affected employee to continue their employment beyond their original lay off date. We were often able to extend employment for many who were scheduled to leave earlier. This allowed us to keep adequate levels of staffing to successfully meet the needs of the State TennCare members.

We proactively communicated with providers to make the transition as easy as possible for them. For example, we sent out a communication to the provider network informing them of where and how to file an appeal and corresponding due dates. All communication materials were approved by the State prior to distribution. Where appropriate we retained the last year of records to enable us to have easy access to this information providing rapid response to the State.

Our transition from Tennessee was successful and the Bureau of TennCare continues to think highly of Magellan. Our contact from the Bureau is Andrea J. Thaler, MSSW. Her contact information is as follows:

Andrea J. Thaler, MSSW
Director of BHO Contract Performance
Bureau of TennCare
310 Great Circle Road
Nashville, Tennessee 37243
(615) 507-6689
Andrea.Thaler@state.tn.us

3. RELEVANT CORPORATE EXPERIENCE

a. The Proposer should describe how its corporate experience will assist DHH OBH with implementation and management of the BH services program and the CSoC. Suggested number of pages: 2

Magellan brings to the Department of Health and Hospitals-Office of Behavioral Health (DHH-OBH) and the consumers, families, advocates and stakeholders of the Louisiana Behavioral Health Partnership a depth of *relevant* national and state experience and expertise that we will draw upon to implement and manage the BH services program and CSoC in Louisiana. Building on what we have learned from numerous listening sessions and meetings across the State, and on the strengths of the existing system, we will partner with public and private entities across the State to increase access to expanded, coordinated, culturally appropriate public sector behavioral healthcare services. Experience is more than winning a contract; it is delivering on the promises made, capitalizing on the lessons learned, and leveraging system strengths to implement best practices and enrich the behavioral health service array. As described below, Magellan delivers and then translates our experience from 16 years of public sector experience and 13 current public sector contracts into new local solutions. Throughout, Magellan seeks to improve the lives of those who depend on the government to finance their care, while also serving to meet the requirements of more accountable and efficient utilization of behavioral health.

One of the clearest demonstrations of value for our public sector customers and our ability to deliver what we promise is our successes with contract renewals. During 2008 and 2009, our existing contracts in Nebraska, Iowa, and Montgomery County, Pennsylvania were won during competitive re-procurements that included some of the same competitors as here in Louisiana. Contracts in Pennsylvania, Florida, and Maricopa County (Phoenix) Arizona were also renewed during the past year. When the next contract term ends in Iowa, we will have served as the managed behavioral health provider for 20 years.

Louisiana and national experience: Magellan's experience in Louisiana is considerable. Currently, Magellan provides managed behavioral health and wellness services to 550,000 people throughout Louisiana, through a successful partnership with Blue Cross and Blue Shield of Louisiana that began in 1999.

We have been meeting the needs of government customers and their members in the public sector since 1995. Currently, 1.9 million members (as of June 30, 2011) are enrolled through our 13 direct contracts with state and county customers. When added to our Medicaid membership managed through health plan contracts, our government/public-sector behavioral health membership totals approximately 3.2 million covered lives. Our leadership is exemplified by our breadth and depth of experience across markets and program types serving public purchasers of behavioral health services and their members and families through programs specifically designed for Medicaid enrollees and others served through special state health care initiatives.

Across our public sector contracts, we offer a core set of services including, but not limited to, administrative services, information technology, utilization management, intensive care management, network development and management, network relations and training, quality improvement, and round-the-clock call center capability. All of these are essential elements of the current procurement. Some contracts have unique service requirements that include a range of services, including psychopharmacology management (at risk) and supported housing. Of particular note are our multiple initiatives with youth and families described throughout the proposal, including our program in Florida devoted exclusively to children in child welfare, our focus in Arizona on serving children that are part of a court settlement, and our work in Pennsylvania insignificantly reducing out of home placement for children and youth. These are a few examples of our extensive experience which we can bring to address the CSoC initiative in Louisiana.

Magellan is uniquely positioned to support DHH-OBH as it works to accomplish the following:

Access to quality services—With State budget pressures and increased health care costs, mental health parity and health care reform, states must balance cost savings with the desire to ensure affordable health coverage and continuity of care for those with ongoing behavioral health needs. To address uneven service arrays in different Louisiana regions, Magellan proposes a regional build out of behavioral health services, just as Louisiana is doing with the CSoC services. Members in all regions of the State will receive high quality core services, while the array of additional supports and resources will build over time, by region. Regions that already have an Local Governance Entity (LGE) in place and have started to develop CsoC infrastructure will receive technical assistance and logistical support, while regions with less developed infrastructure will have access to expanded clinical and operations support and resources, more frequent contact with Magellan staff, as appropriate, and assistance developing new services and best practices. Magellan also has expertise and experience in the successful application of evidence-based practices, and in supporting providers through training and technical assistance. Magellan also has online training and support capabilities to supplement such service expansion and improvement in quality. Our mission and model enable us to bring significant national expertise, knowledge, and experience to local services and to rely on the close engagement with the regional communities.

Family member and consumer strengths—Magellan brings to members and the Louisiana Behavioral Health Partnership particular expertise incorporating school- and home-based and other wraparound services into our service array. It has been our experience that these services have led to great success reunifying families and achieving safety and stability for youth in our programs. Our Florida child welfare program is completely focused on these services and goals. At an enterprise level, we offer diverse family support and training programs in every single one of our public sector programs—through initiatives ranging from joint treatment planning in all our programs to MYLIFE youth empowerment initiatives in Arizona and Pennsylvania. We have expanded the service array in Arizona and Nebraska by providing an enhanced level of in-home behavioral health services for children. We offer behavioral management monitoring and therapy through a range of services in many public sector programs and therapeutic mentoring and training in several programs. The underlying assumption in all of these examples is that every individual can achieve an increased quality of life and sense of well-being, and that recovery is possible and should be a goal for every member.

System of Care Development—Magellan has worked with state and county government agencies in Iowa, Pennsylvania, Arizona and elsewhere to support system of care development, and our experiences in these areas have helped shape our approach to the Louisiana program. While the SMO must successfully implement all of the individual elements of the State's RFP, the overarching goal is to move towards system-wide coordination and infrastructure, starting in regions where infrastructure and services are already in place, building on existing strengths and best practices, then moving from this foundation to other LGEs and regions of the State. As our discussion of the proposed regional roll-out throughout this proposal demonstrates, Magellan has the experience and thought leadership to accomplish this in a thoughtful and logical manner, working towards successive milestones while never losing sight of consumers and member wellbeing.

Technical Assistance and Training—Through our proposed Louisiana Training Consortium, based in Baton Rouge but accessible throughout Louisiana, we will provide LGEs, CSoC lead agencies, and other providers and agencies with training and support to ensure the most effective and efficient delivery of services to members across the systems of care. We will also provide training and support to ensure the appropriate and timely referral of members to the Care Management Program.

Governance and management infrastructure—Magellan will establish a governance board structure in Louisiana, modeled after the highly successful governance board in Maricopa County, Arizona. The board, comprised of equal numbers of Magellan and community stakeholder members, will advocate for change and co-lead community and

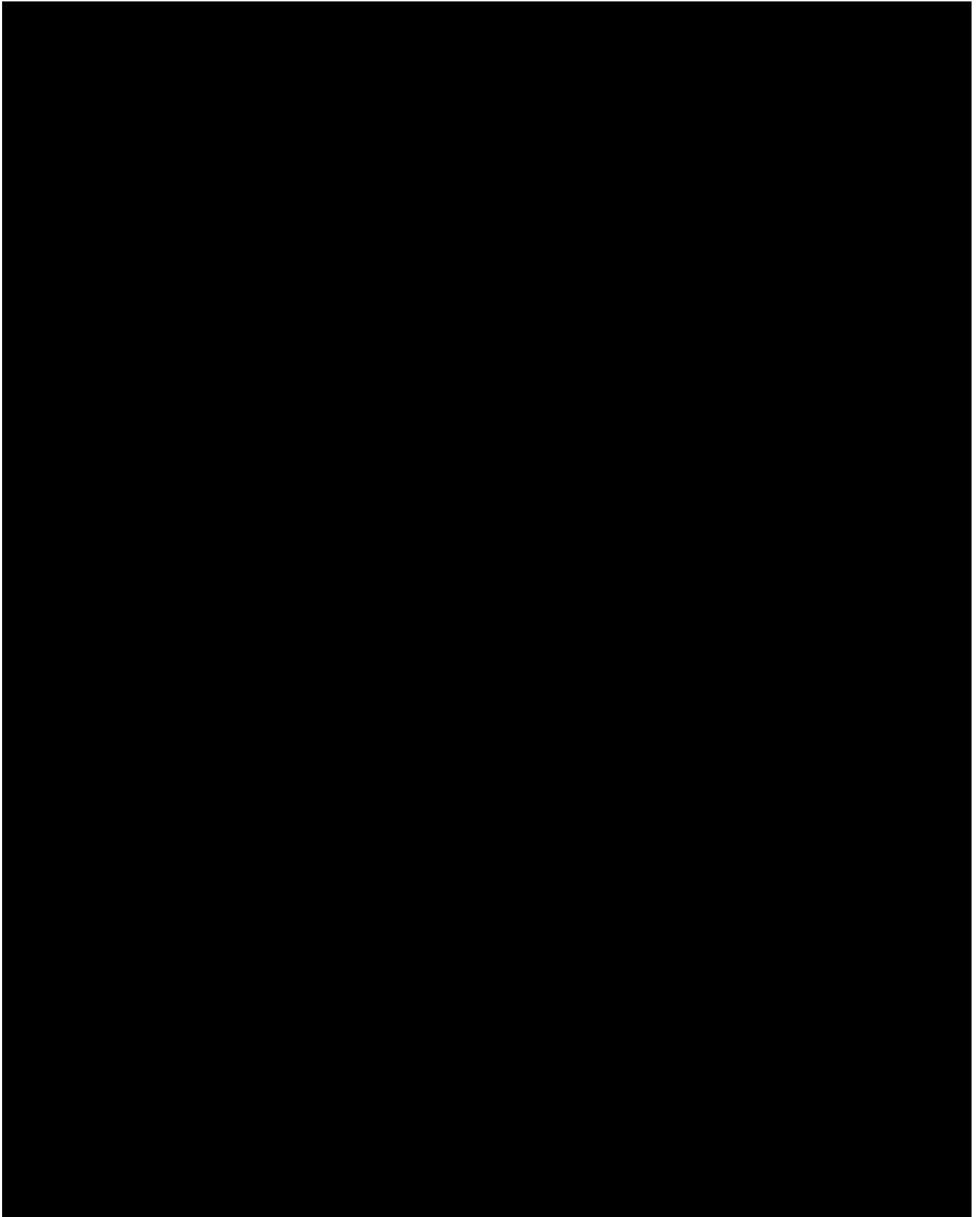
provider service development efforts, in collaboration with the state's existing CSoC governance body and proposed advisory groups.

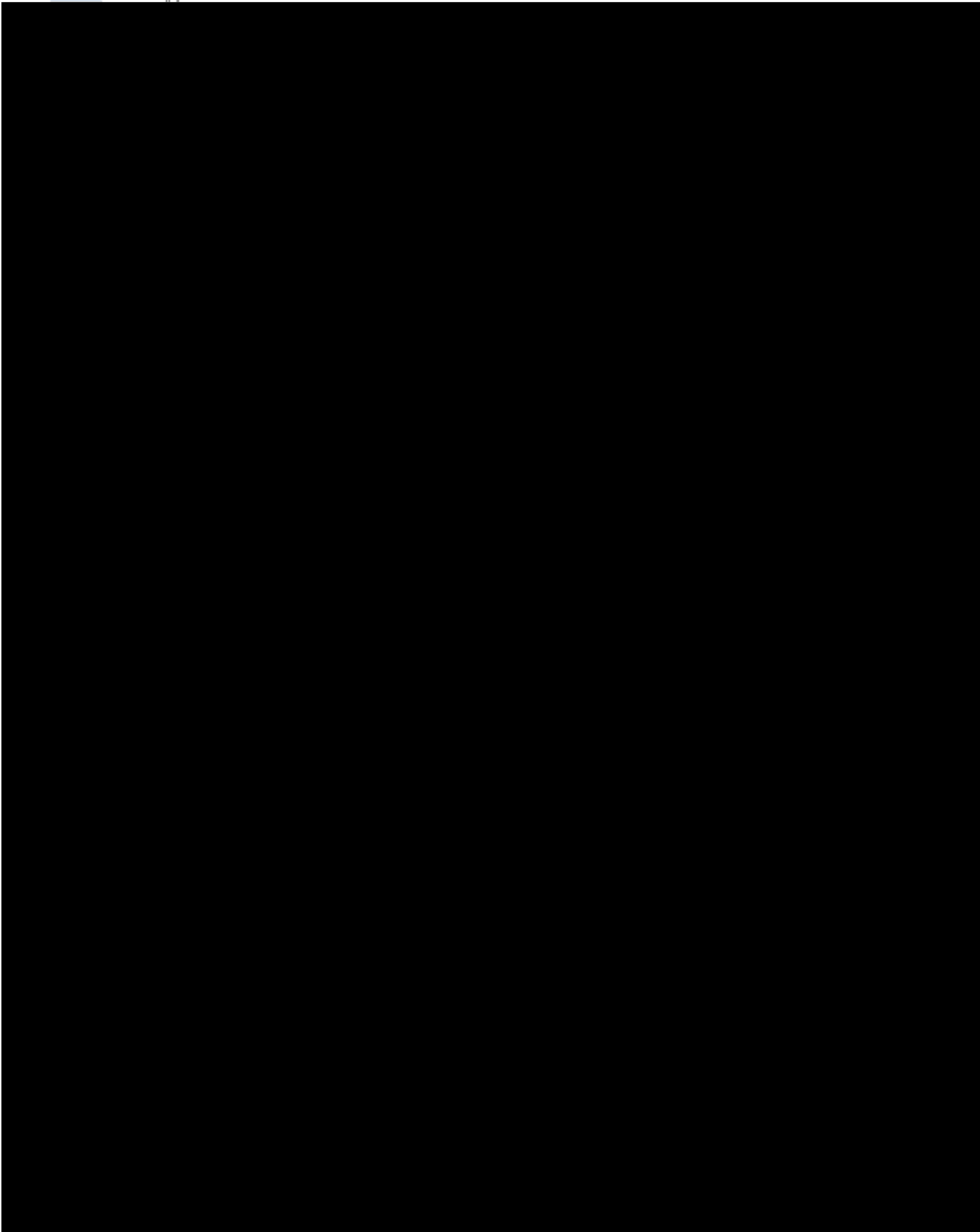
Accountability, data reporting and outcomes—Magellan will build on existing initiatives around electronic health records and outcomes reporting to develop a user-friendly data dashboard and outcome system, as well as meeting all Federal and state reporting requirements. Magellan has implemented similar system in other programs. Specifically, we have worked with government customers to track, report and assess the outcomes associated with new waiver services such as those covered by Louisiana's 1915(b) waiver (among other waivers) currently under review by CMS.

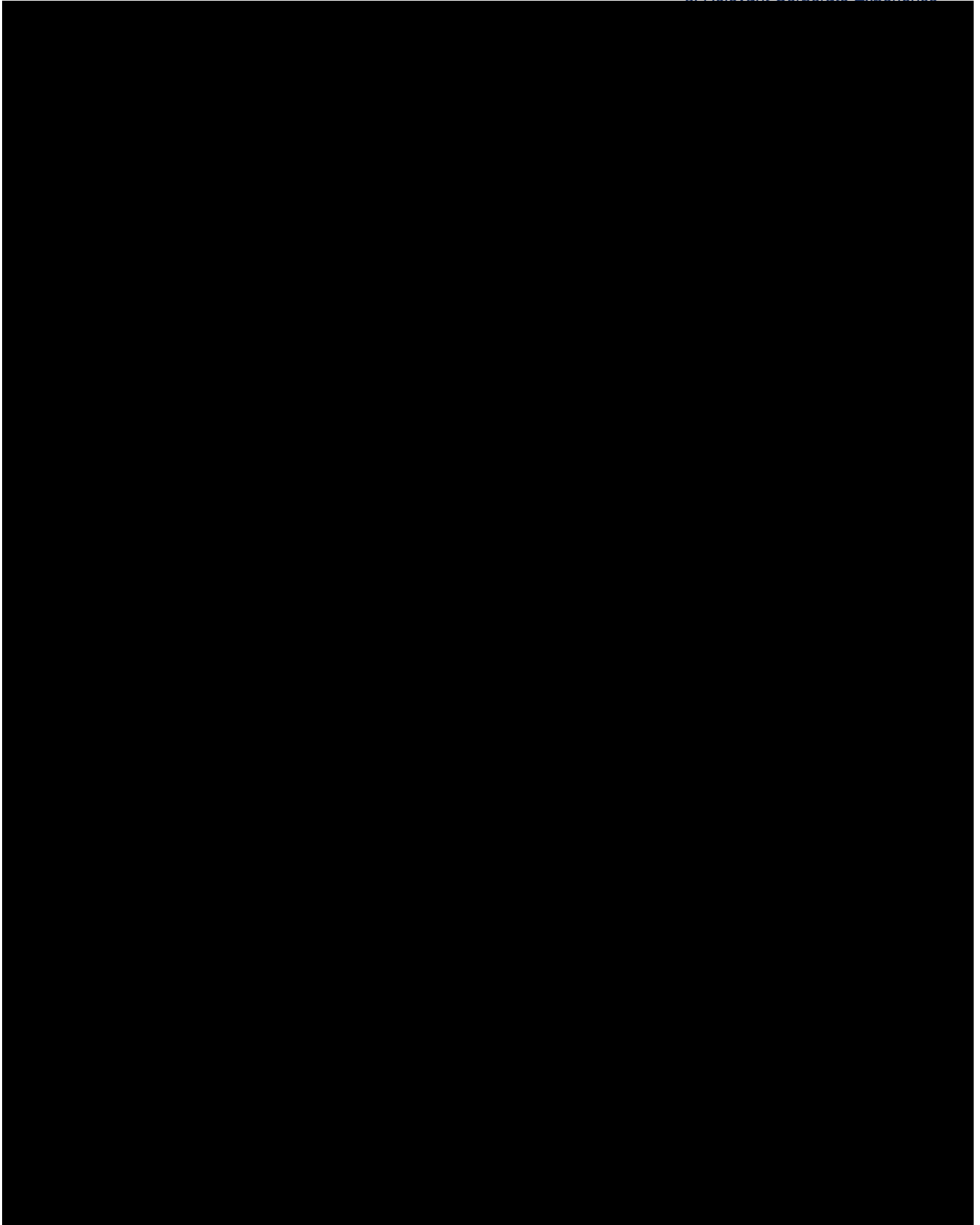
Optimization and Accountability of resources—DHH-OBH has taken an innovative approach to utilize funding sources from multiple streams, Medicaid Waivers, Block Grants, state funds, etc. It is critical to assure that funds are used for their intended purpose to assure accountability. Magellan through our Maricopa contract receives and "braids" funding from SAMHSA SAPT, CMHS Block Grant, Medicaid Title XIX, third party billing, state general fund, grant dollars, CHIP funding Title XXI, county dollars. This funding is managed across 25 service codes, assuring accountability and resource optimization.

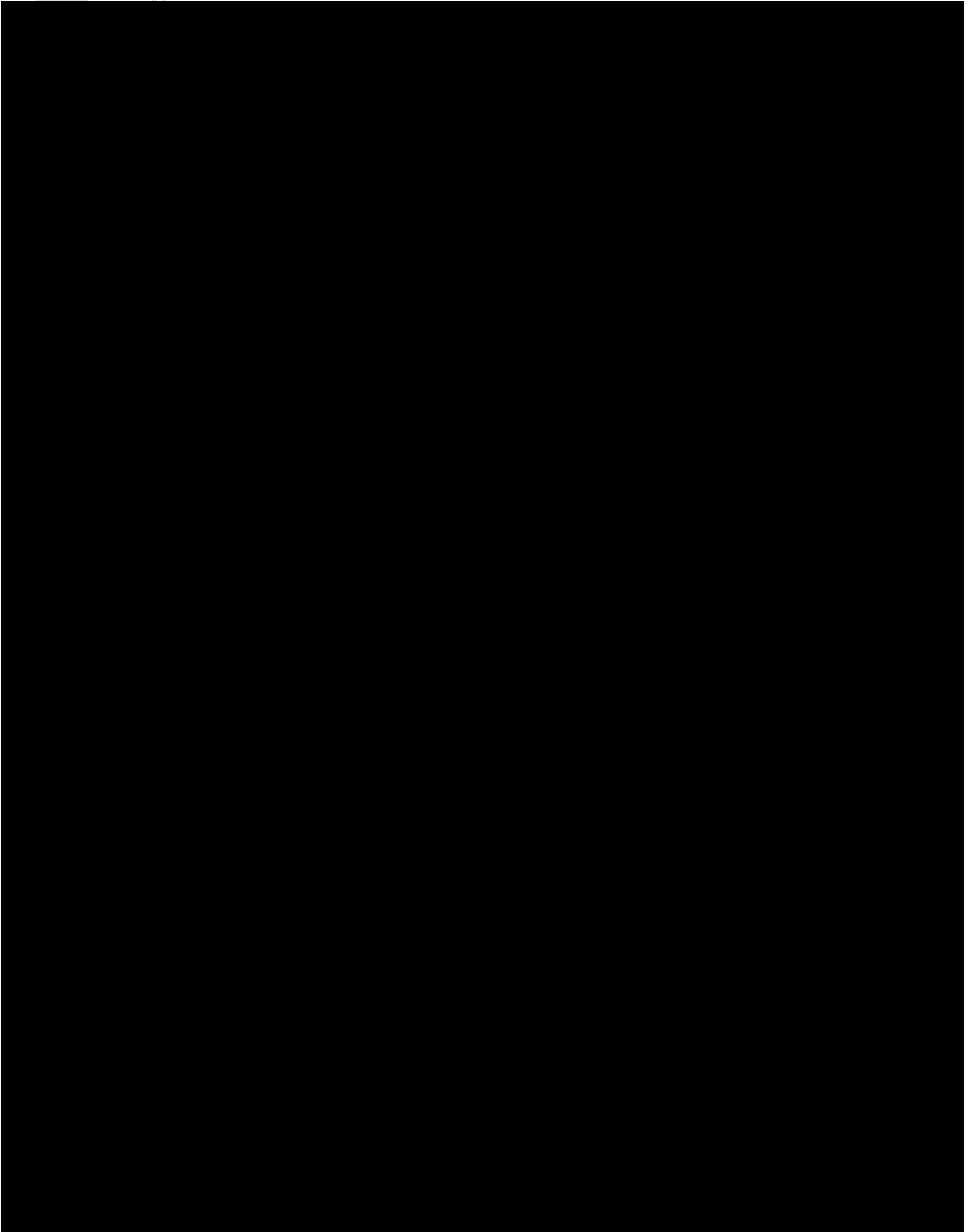
b. Provide the number of government/public sector customers for which the Proposer has managed BH care services of persons eligible for Medicaid in the most recent five (5) calendar years (i.e., 2006, 2007, 2008, 2009, 2010), including the following information:

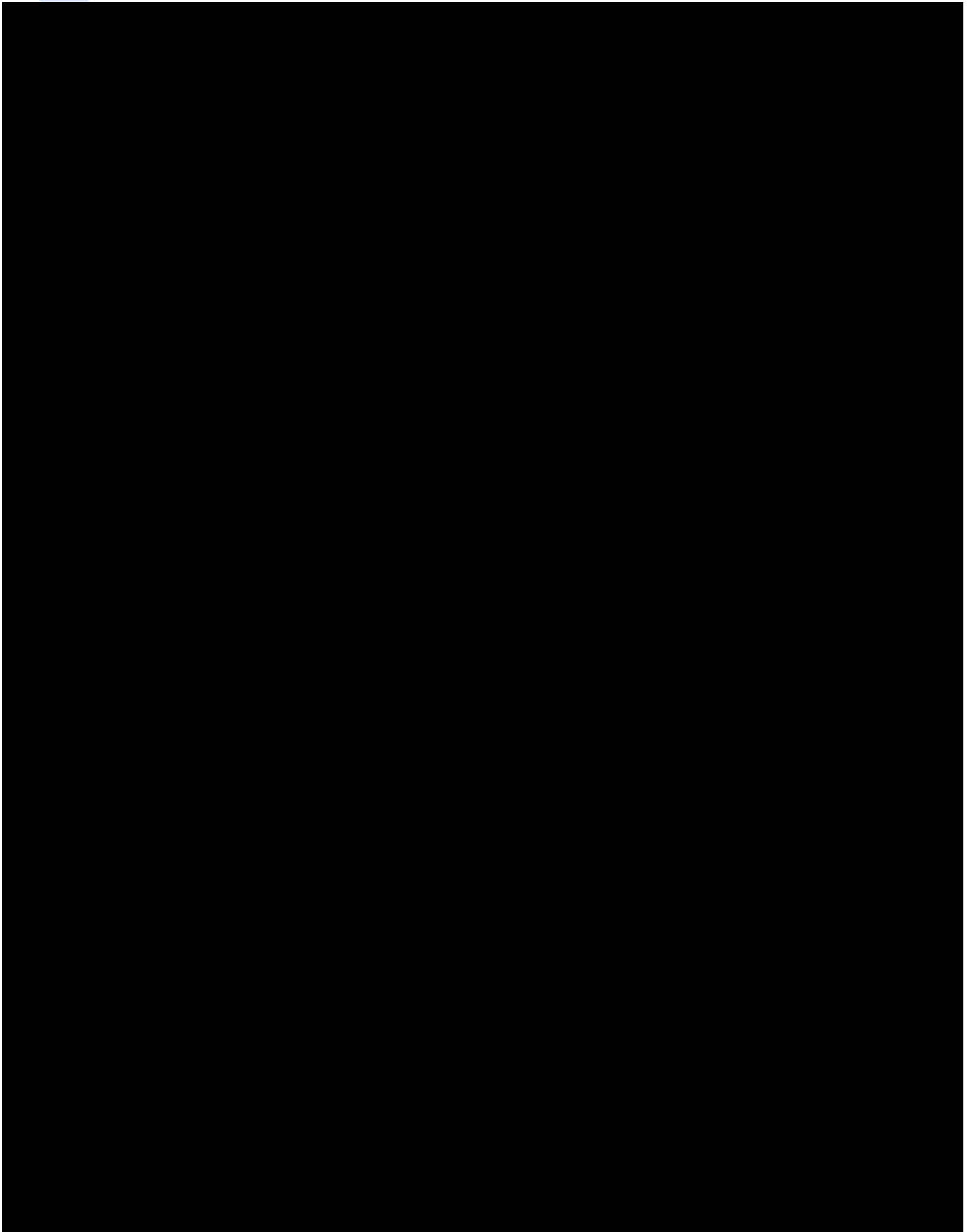
- i. Customer Name;*
- ii. Number of eligibles;*
- iii. Approximate revenue in most recent year of the contract;*
- iv. Payment type (e.g., administrative services only fee, full capitation, etc.);*
- v. Direct contract with Agency or via health plan;*
- vi. Populations served (e.g., Title XIX, XXI, State only, CHIP, SAPT, CMHS block grants);*
- vii. Number of years Proposer has held contract; and*
- viii. Contract active or terminated.*











***Note** - From 1996 to 2009, Magellan held a contract with the Department of Mental Health and Developmental Disabilities (TDMHDD), Office of Managed Care for the behavioral health services of TennCare. During that time, the medical services of TennCare were provided by HMOs and behavioral health services were carved out to Magellan, statewide. In 2007, TDMHDD revised the program to carve in the behavioral health benefits and conducted a procurement to select an HMO for joint medical and behavioral health services. This was done to encourage more HMOs to enter the State. Therefore, our contract in the Middle Region terminated March 2007; the contract in the West Region terminated November 2008; and our contract in the East Region terminated January 1, 2009, as TDMHDD finalized its implementation of the new carve-in model. Magellan's contract for TennCare Select remained statewide through August 31, 2009.

c. Provide the percentage of the Proposers managed BH care revenue attributed to government/public sector customers in fiscal years 2006, 2007, 2008, 2009, and the third quarter of 2010.

Table 3.c provides the percentage of Magellan Behavioral Health's behavioral health care revenue was attributed to government/public sector customers for the past five years.

Table 3.c. Government/Public Sector Revenue Percentage

Year	Percentage
2006	53.4%
2007	56.5%
2008	69.1%
2009	67.7%
2010 (as of 9/30/2010)	68.8%

Note: Magellan also covers some state employees, through government contracts, that are not included in the above table. The revenue from these contracts is not material.

d. For all current government/public sector customers for whom the Proposer currently manages Medicaid BH care services provide the following information for a state contact:

- i. Name;*
- ii. Address;*
- iii. City, State, Zip;*
- iv. Telephone number; and*
- v. Email address.*

Table 3.d. provides a list of all current government/public sector customers of Magellan's parent company Magellan Behavioral Health (MBH).

Table 3.d. Government/Public Sector Customer Information

Government/Public Sector Customer	i. Name ii.-iii. Address	iv. Telephone number v. Email address
Arizona Department of Health Services - Maricopa County Managed Behavioral Health Care	Dr. Laura Nelson Deputy Director and Chief Medical Officer, Arizona Department of Health Services Division of Behavioral Health Services 150 N. 18th Avenue, 2nd Fl. Phoenix, AZ 85007	602-364-1947 nelsonla@azdhs.gov
Florida Agency for Health Care Administration/Area 2 Prepaid Mental Health Plan	Kaleema Muhammad Bureau of Medicaid Services, Agency for Health Care Administration Building 3, Room 2333A - MEDICAID SERVICES 2727 Mahan Drive Tallahassee, FL 32308	850-412-4244 Kaleema.Muhammad@ahca.myflorida.com
Florida Agency for Health Care Administration/Area 4 Prepaid Mental Health Plan	Kaleema Muhammad Bureau of Medicaid Services, Agency for Health Care Administration Building 3, Room 2333A - MEDICAID SERVICES 2727 Mahan Drive Tallahassee, FL 32308	850-412-4244 Kaleema.Muhammad@ahca.myflorida.com
Florida Agency for Health Care Administration/Area 9 Prepaid Mental Health Plan	Kaleema Muhammad Bureau of Medicaid Services, Agency for Health Care Administration Building 3, Room 2333A - MEDICAID SERVICES 2727 Mahan Drive Tallahassee, FL 32308	850-412-4244 Kaleema.Muhammad@ahca.myflorida.com
Florida Agency for Health Care Administration/Area 11 Prepaid Mental Health Plan	Kaleema Muhammad Bureau of Medicaid Services, Agency for Health Care Administration Building 3, Room 2333A - MEDICAID SERVICES	850-412-4244 Kaleema.Muhammad@ahca.myflorida.com

3. Relevant Corporate Experience

Government/Public Sector Customer	i. Name ii.-iii. Address	iv. Telephone number v. Email address
	2727 Mahan Drive Tallahassee, FL 32308	
Child Welfare Prepaid Mental Health Plan (As the Managing General Partner of the CBC Partnership)	Kaleema Muhammad Bureau of Medicaid Services, Agency for Health Care Administration Building 3, Room 2333A - MEDICAID SERVICES 2727 Mahan Drive Tallahassee, FL 32308	850-412-4244 Kaleema.Muhammad@ahca.myflorida.com
Iowa Department of Human Services for Medicaid and Iowa Department of Public Health for Substance Abuse Block Grant funds	Dennis Janssen, Bureau Chief of Managed Care and Clinical Services Iowa Department of Human Services, Iowa Medicaid Enterprise 100 Army Post Road Des Moines, IA 50315	515-256-4643 djansse@dhs.state.ia.us
Comprehensive Administrative Service Organization (ASO) with Nebraska DHHS Divisions: Medicaid and Long-Term Care, Behavioral Health	Vivianne M. Chaumont, Director Division of Medicaid and Long-Term Care, DHHS Operations 301 Centennial Mall South Lincoln, NE 68509	402-471-4535 Vivianne.chaumont@nebraska.gov
HealthChoices, Pennsylvania Department of Human Services, Office of Behavioral Health— Lehigh County	Allison E. Frantz, Administrator Lehigh County HealthChoices Lehigh County Government Center 17 S. 7th Street, Allentown, PA 18101	610-782-3520 AllisonFrantz@lehighcounty.org
HealthChoices, Pennsylvania Department of Human Services, Office of Behavioral Health— Northampton County	Debbie Nunes, Coordinator Northampton County HealthChoices 520 E. Broad Street Bechtel Building 1st Floor Bethlehem, PA 18018	610-997-5858 dnunes@northamptoncounty.org
HealthChoices, Pennsylvania Department of Human Services, Office of Behavioral Health— Montgomery County	Eric Goldstein, Administrator Department of Behavioral Health and Developmental Disabilities 1431 DeKalb Pike Norristown, PA 19401	610-278-3677 egoldste@montcopa.org
HealthChoices, Pennsylvania Department of Human Services, Office of Behavioral Health— Bucks County	Bernard J. McBride, Director Bucks County Behavioral Health System 600 Louis Drive, Suite 102A Warminster, PA 18974	215-444-2701 bjmcbride@co.bucks.pa.us
HealthChoices,	Jonna DiStefano, Administrator	610-713-2375

3. Relevant Corporate Experience

Government/Public Sector Customer	i. Name ii.-iii. Address	iv. Telephone number v. Email address
Pennsylvania Department of Human Services, Office of Behavioral Health— Delaware County	County of Delaware, Office of Behavioral Health 20 South 69th Street Upper Darby, PA 19082	DiStefanoJ@co.delaware.pa.us

e. For current customers listed in letter d above, provide the number of complaints per 1,000 members received during the past two (2) calendar years. Also provide the most common types of complaints ranked by order of frequency.

It is of note that there is variation in customer definition of complaints, the number/category of types, and the methodology used to compute the number of complaints. As an example there are an expanded number of complaint types for our Maricopa and Montgomery County customers and the methodology for Montgomery County requires that a complaint by the parent be reflected as multiple complaints for every member of the family. In other words, a family of 5 with one complaint is reflected as 5 complaints. In an effort to make this information consistent across accounts, we have aggregated types of complaints into generic headings and reported the number of complaints as required by our customers. Even with these variations, the number of complaints per 1,000 members is very low including FL Area 2, where only a single complaint was filed for the entire year; not one category type, but one complaint.

Table 3.e. provides the number of complaints per 1,000 members, received during the past two calendar years.

Table 3.e. Complaints per 1,000 in 2009-2010

Government/Public Sector Customer	Complaints per 1,000 Members	Most Common Types of Complaints Ranked by Frequency
Arizona Department of Health Services - Maricopa County Managed Behavioral Health Care	2009: 14.73 2010: 19.28	2009 Customer Service Access to Services 2010 Customer Service Clinical Decisions Related to Service
Florida Agency for Health Care Administration/Area 2 Prepaid Mental Health Plan	2009: 0.022 2010: 0.236	2009 Access to Care (there was only a single complaint filed for the entire year for this contract) 2010 Clinical Care-Provider Service- Quality
Florida Agency for Health Care Administration/Area 4 Prepaid Mental Health Plan	2009: 0.110 2010: 0.629	2009 Clinical Care-Provider Service-Timeliness 2010 Access to Services Service- Quality

3. Relevant Corporate Experience

Government/Public Sector Customer	Complaints per 1,000 Members	Most Common Types of Complaints Ranked by Frequency
Florida Agency for Health Care Administration/Area 9 Prepaid Mental Health Plan	2009: 0.374 2010: 0.212	2009 Service- Quality Clinical Care- Service 2010 Service-Quality Access to Services
Florida Agency for Health Care Administration/Area 11 Prepaid Mental Health Plan	2009: 0.272 2010: 0.142	2009 Service-Quality Clinical Care- Service 2010 Benefit Plan Service-Quality
Child Welfare Prepaid Mental Health Plan (As the Managing General Partner of the CBC Partnership)	2009: 1.033 2010: 0.758	2009 Clinical Care- Service Clinical Care-Provider 2010 Service Quality Clinical Care- Service
Iowa Department of Human Services for Medicaid and Iowa Department of Public Health for Substance Abuse Block Grant funds	2009: 0.187 2010: 0.152	2009 Billing/ Financial Quality of Care 2010 Billing/ Financial Quality of Practitioner
Comprehensive Administrative Service Organization (ASO) with Nebraska DHHS Divisions: Medicaid and Long-Term Care, Behavioral Health	2009: 0.114 2010: 0.089	2009 Quality of Practitioner Care & Utilization Management 2010 Care & Utilization Management Quality of Practitioner
HealthChoices, Pennsylvania Department of Human Services, Office of Behavioral Health– Lehigh County	2009: 0.680 2010: 0.590	2009 Prov. Access / Responsiveness Continuity / Comprehensiveness of Care 2010 Prov. Access / Responsiveness Provider Unprofessional / Rude
HealthChoices, Pennsylvania Department of Human Services, Office of Behavioral Health– Northampton County	2009: 0.680 2010: 0.450	2009 Provider Access / Responsiveness Continuity / Comprehensiveness of Care 2010 Prov. Access / Responsiveness Continuity / Comprehensiveness of Care
HealthChoices, Pennsylvania Department of Human Services, Office of Behavioral Health– Montgomery	2009: 5.300 2010: 5.200	2009 Clinician Judgment / Competence Continuity / Comprehensiveness of Care

3. Relevant Corporate Experience

Government/Public Sector Customer	Complaints per 1,000 Members	Most Common Types of Complaints Ranked by Frequency
County		2010 Clinician Judgment / Competence Continuity / Comprehensiveness of Care
HealthChoices, Pennsylvania Department of Human Services, Office of Behavioral Health– Bucks County	2009: 4.300 2010: 3.900	2009 Clinician Judgment / Competence Continuity / Comprehensiveness of Care 2010 Clinician Judgment / Competence Prov. Access / Responsiveness
HealthChoices, Pennsylvania Department of Human Services, Office of Behavioral Health– Delaware County	2009: 5.100 2010: 4.000	2009 Clinician Judgment / Competence Continuity / Comprehensiveness of Care 2010 Clinician Judgment / Competence Continuity / Comprehensiveness of Care

f. Provide three (3) references from governmental/public sector clients, at least of which two (2) are from government/public sector clients with whom the Proposer currently holds contracts for management of behavioral health services. Include the following information:

Table 3.f.—References

Government/Public Sector Customer	Name ii.-iii. Address	iv.-v. Telephone and Email
Maricopa County Managed Behavioral Health Care (Regional Behavioral Health Authority-RBHA)	Dr. Laura Nelson Arizona Department of Health Services Division of Behavioral Health Services 150 N. 18th Avenue, 2nd Fl. Phoenix, Arizona 85007 602-364-1947	602-364-1947 nelsonla@azdhs.gov
Iowa Medicaid Enterprise	Dennis Janssen Iowa Department of Human Services, Iowa Medicaid Enterprise 100 Army Post Road Des Moines, Iowa 50315 515-256-4643	515-256-4643 djansse@dhs.state.ia.ua
Pennsylvania HealthChoices, Delaware County	Jonna DiStefano County of Delaware Office of Behavioral Health 20 S. 69th St. Upper Darby, PA 19082 610-713-2375	610-713-2375 DiStefanoJ@co.delaware.pa.us

4. PERSONNEL QUALIFICATIONS

LOUISIANA STRENGTHS

Louisiana is known for its world-class colleges and universities, many of which have comprehensive programs in the area of health and human services. Individuals graduating from institutions such as Tulane, Louisiana State University, and the University of Louisiana, to name a few, provide an emerging, valuable workforce. In addition, we are aware that over 100 peer specialists have been trained in Louisiana and a portion of them remain out of work. When combined with existing behavioral health professionals within the state and those willing to move to Louisiana if the right opportunity presented itself, Magellan sees an employment base from which to build an even stronger behavioral health system.

We commend the Department of Health and Hospitals–Office of Behavioral Health’s (DHH-OBH) efforts thus far to transform the state’s behavioral health system. These efforts and pending waiver applications provide an opportunity for an increase in federal dollars that will create prospects for professionals and paraprofessionals in behavioral health. Magellan has been managing behavioral health services in Louisiana since 1999 during which time we have gained extensive experience with the provider community. We have also conducted extensive outreach to better understand the nuances of the provider community that will serve the SMO population. We are aware of the shortages of key professions including psychiatrists and other Licensed Mental Health Practitioners (LMHP) and will bring strategies to address these shortages so individuals in need of behavioral health services have appropriate access, choice, and quality.

MAGELLAN COMPLEMENTARY STRENGTHS

Magellan conceived of and hosted the first *Hero Health Hire* Summit in Washington, DC on June 22, 2011. This Healthcare Industry Program is designed to bring health care organizations from all sectors together with the common goal of employing America’s Wounded Warriors who transition out of the military into the civilian workforce. Magellan was able to convene more than 50 leaders from the health care industry, government, and military organizations with the goal of gaining commitments to expand opportunities for this untapped workforce. This is a nationwide effort and it is Magellan’s goal to have health care industry employers in each state join this movement.

Specifically, Magellan has been working with our health plan partner, Blue Cross and Blue Shield of Louisiana, and other organizations with worksites in Louisiana to solidify their involvement in *Hero Health Hire*. Additionally, Magellan has recently funded a fulltime leader to move *Hero Health Hire* along to further the impact and size of this worthy program. A critical element of this work being performed includes establishing state and community-level connections with governmental and military organizations that will serve as a conduit to locating Wounded Warriors who are in need of employment. In Louisiana, for instance, Magellan’s *Hero Health Hire* leader has become acquainted with Army Transition Assistance Program Advisors and Representatives Richard A. Whitney and Mary Dausat located at Camp Beauregard in Pineville who have already expressed great interest in how *Hero Health Hire* can assist them in expanding job opportunities for returning veterans.

Even prior to the release of the RFP, Magellan began analyzing the region’s demographic data and gathering input from local advocacy organizations and providers to assess the composition and needs of the service area.

We developed recruitment strategies to identify candidates with the experience and skill sets needed to provide service excellence, as well as to reflect the cultural, ethnic, and racial composition of Louisiana and its parishes.

Our personnel recruiting efforts will focus on hiring care management center (CMC) staff members who possess the skills and experience commensurate with the system priorities outlined by DHH-OBH. We have already taken the following steps:

- ◆ identified an internal recruitment team that is responsible for hiring for the SMO to manage the Louisiana Behavioral Health Partnership (LBHP)
- ◆ posted electronic solicitations for key and required positions on Monster.com and CareerBuilder.com, as well as Behavioral Healthcare E-Newsletter, NASW/Socialworkers.org, Behavioral.net, and Minority Nurse
- ◆ placed advertisements in print media outlets including the New Orleans Times Picayune, Shreveport Times, Lafayette Advisor, Houma Courier/Comet, Daily Iberian, Baton Rouge State-Times Advocate, Gonzales Weekly Citizen–Nickel Ads, and The Weekly Press
- ◆ connected with Army Transition Assistance Program Advisors in Louisiana.

Strategies we will employ upon contract award and for the contract duration include the following:

- ◆ Continued online and print media advertising.
- ◆ Recruitment job fairs in the Baton Rouge and Shreveport areas.
- ◆ Further engagement of a referral program that offers employees a bonus for referrals of candidates who are subsequently hired and remain with the company for at least three months. This encourages our team members to recruit people they know would be a good fit with our organization.
- ◆ Emphasis on our commitment to diversity by our hiring managers.

From our recruitment efforts, we have collected nearly 300 resumes from individuals living in Louisiana. Upon contract award, we will immediately interview and hire CMC leadership and staff. In addition to ensuring that staff members possess the specific experience, expertise, and skills for their particular job, we will recruit personnel who have local LBHP expertise and managed behavioral health care experience.

TRANSFORMATION MILESTONES

Contract Go-Live: We will use our national HR resources to assist in quickly identifying and hiring personnel to meet the contract start date. We will employ a four-staged approach to include: (1) looking internally for talented staff; (2) recruiting within Louisiana and nationally using job boards for posting open positions, as well as searching databases for resumes; (3) using our team of internal talent acquisition consultants who use advanced recruiting techniques to source top talent throughout the industry; and (4) reaching out to recruiting firms that specialize in health care staffing, both for temporary and full-time hires.

This methodology has proven successful in small- and large-scale implementations to ensure that we have key staff in place for the contract start date and that we are resourced throughout the life of the contract.

4. Personnel Qualifications

Our confidence in meeting the staffing resources for the LBHP is based upon our demonstrated experience in Maricopa County, Arizona, where Magellan successfully hired and deployed more than 300 individuals in 59 business days to achieve a successful, on-time implementation of the nation's largest public sector behavioral health program in Maricopa County.

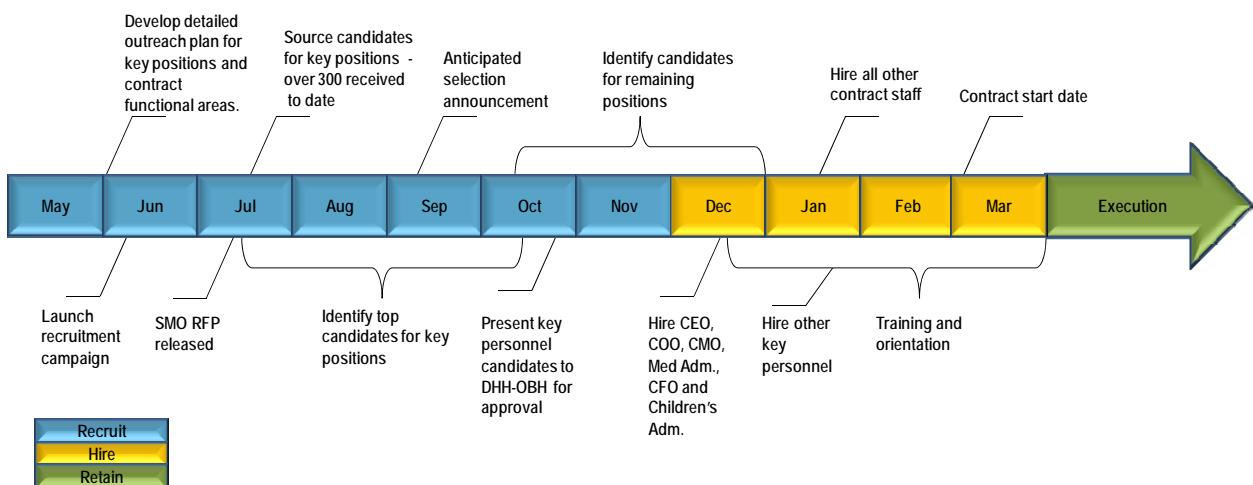
On-going Retention: Our strategies to retain top talent includes open communication, virtual connections, succession planning for promotional opportunities, and a rich training program that includes leadership development programs and employee satisfaction surveys. Magellan uses compensation and benefit programs, as well as employee- and family-friendly policies, to retain our employees. Some examples include: competitive benefits; opportunities for promotion; promoting diversity; ongoing training; and Service Excellence Reward Program (SERP) to reward non-management employees for excellence in performance.

Understanding that vacancies in staff occur, we engage each of our service centers in developing a **succession plan** for each key position that includes identifying team members who are potential promotional candidates and working with them on a developmental plan; conducting proactive staff recruitment to create a pool of candidates for consideration in the event of a vacancy; and cross-training staff to prepare them to perform other job functions as necessary.

Figure 4-1 illustrates our staffing efforts beginning prior to release of the RFP through contract award and go-live.

Our strategies for recruitment, hiring, and retention of key staff work. Across our organization, our recruitment efforts result in over 20,000 applications per year, a 93.5 percent offer acceptance rate, and a retention rate of 91.5 percent.

Figure 4-1
Magellan Health Services Louisiana Staffing Plan



REGIONAL AND POPULATION-BASED APPROACH

We will utilize the same approach described above to recruit, hire, and retain staff in our Baton Rouge and Shreveport sites. This will allow us to gain economies of scale with an efficient and effective CMC and gain local input and guidance via our regionally based site and staff that will work from home in different parishes across the state.

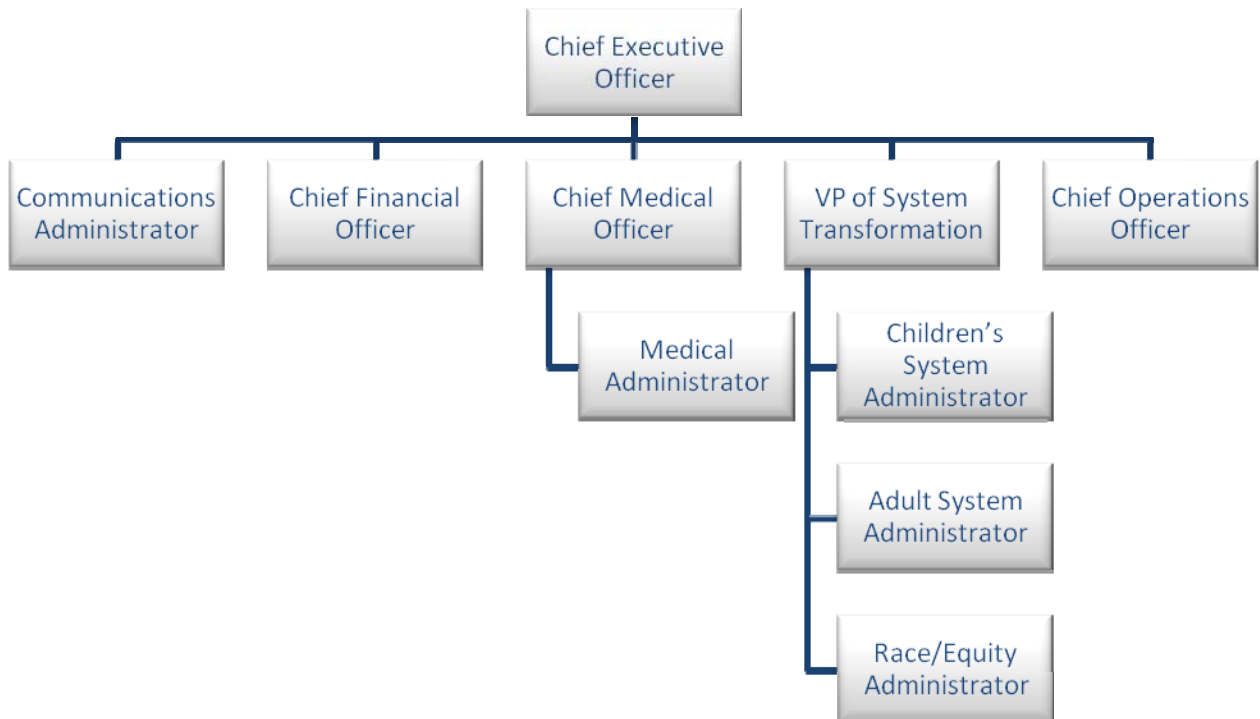
a. Job descriptions of key and required personnel including the percentage of time allocated to the project, minimum education, training, experience, special skills and other qualifications for each position as well as specific job duties identified in the proposal.

Please refer to Attachment 5 for job descriptions for all Louisiana SMO key and required personnel. All key and required positions will be full-time, located within Louisiana, filled by one person, with 100 percent of their time dedicated to the SMO. Magellan will not use subcontractors to fill any of these key or required personnel positions.

All key and required personnel will be physically located at our Baton Rouge office.

As outlined below, all key and required personnel will be dedicated 100 percent to the SMO for the LBHP. In addition to the key and required positions cited in the RFP, Magellan has additional position which we feel are crucial to meeting contract requirements and expectations including a vice president of system transformation, adult system administrator, communications administrator, and race/equity administrator. With the addition of these key personnel, we exceed contract requirements, as well as provide DHH-OBH with a complement of leadership personnel whose focus addresses communication, cultural diversity, health disparity, provider outcomes, system integration, health integration, and recovery and resiliency.

Figure 4.b.—Magellan of Louisiana Key Personnel – 100 Percent Dedicated



As requested, Magellan will provide the DHH-OBH the opportunity to pre-approve key personnel prior to hire. We will immediately verbally inform the DHH-OBH and provide written notice within seven days after the date of a resignation or termination of any of the key personnel noted above, including the name of the interim contact person that will be performing the key personnel member's duties. In addition, upon request, we will submit a written plan for replacing key personnel, including expected timelines. If key personnel are not available for work under the contract for a continuous period exceeding 30 days, or are no longer working full-time in the key position, Magellan will notify DHH-OBH within seven days after the date of notification by the key personnel of the change in availability or change in full-time employment status. Key personnel will not be replaced without the written consent of DHH-OBH.

b. Resumes of all known key and required personnel should be included. Resumes of proposed personnel should include, but not be limited to:

- i. Experience with Proposer;*
- ii. Previous experience in projects of similar scope and size; and*
- iii. Educational background, certifications, licenses, special skills, etc.*

As part of our planning efforts since January 2010, Magellan began the process of identifying qualified individuals for a number of key and required personnel in our staffing plan. However, candidates have requested that we keep their identities confidential until contract award because of their current employment obligations (with provider agencies and other entities). Moreover, Magellan recognizes that DHH-OBH's input and approval is critical to smooth program operations, and we prefer to present and discuss proposed key personnel with the State upon contract award.

To date, we have received more than 300 resumes from candidates interested in working for Magellan's SMO for Louisiana. We have also participated in job fairs and have posted a recruitment page on our Web site. These efforts have positioned us strongly to begin the interview-and-offer process immediately upon contract award. We have developed a comprehensive recruitment strategy in preparation for this milestone and are confident that we will be able to staff and train a full complement of permanent SMO staff by program start date.

Upon contract award, Magellan proposes to use staff from our national public sector staff on an interim basis to fill many of the key personnel positions. The interim personnel bring a wealth of experience to the SMO project and are responsible for preparing for SMO contract award, meeting with community and system stakeholders, participating in contract implementation and readiness, and transitioning the role to newly hired and approved permanent staff. Table 4.c presents the interim staff. Through this approach, we will establish a mentorship process that will not only ensure knowledge transfer for implementation—but establish a model that will support/mentor excellence throughout the contract.

Table 4.b—Interim Personnel

Position	Individual
Key Personnel	
Chief Executive Officer	James Stringham, MC
Chief Financial Officer	Bill Grimm
Chief Medical Officer	Gary Henschen, MD
Chief Operations Officer (Implementation Lead)	Deb Happ, PhD
Children's System Administrator	Rebecca Procopio
Adult System Administrator*	Tom Lane

Position	Individual
Key Personnel	
Communications Administrator*	Chris Barnhart
Race/Equity Administrator*	Malena Albo
Vice President, System Transformation*	Jennifer Tripp

*Additional, Magellan-defined key personnel positions.

Please refer to Attachment 5 for resumes for these identified personnel.

c. If subcontractor personnel will be used, the Proposer should clearly identify these persons, if known, and provide the same information requested for the Proposer's personnel.

Magellan will not use subcontractor personnel for the SMO contract core functions or key personnel.

5. ADDITIONAL INFORMATION

As an appendix to its proposal, if available, a Proposer may provide samples of specific policies and procedures that would highlight its expertise in serving the populations identified in the RFP, inclusive of organizational standards, employee expectations, member rights, UM guidelines and ethical standards. Full copies of manuals are not desired. This appendix should also include a copy of Proposer's All Hazards Response Plan, if available.

In Attachment 6, we provide samples of the following documents that highlight our expertise in serving populations identified in this RFP. Items contained in the associated Attachment should be considered confidential. Due to the proprietary nature of most of our operational documents, in some instances we provide a table of contents or executive summary of these documents.

- ◆ Corporate Compliance Program policy
- ◆ Screen shots from Magellan's intranet of corporate proprietary policies, procedures, and standards
- ◆ Sample Medical Necessity Criteria
 - ▶ 2011 corporate criteria table of contents, preamble, and hospital psychiatric, adult criteria
 - ▶ 2011 criteria from Magellan's Florida child welfare program: table of contents, preamble, and Section IV: Community Mental Health Services
- ◆ Utilization Management General Guidelines policy
- ◆ Reference manual for member services staff
- ◆ Data Center Recovery Plan table of contents
- ◆ Sample "All Hazards Plan" from Magellan's Maricopa County, Arizona care management center including the following:
 - ▶ 2011 Business Continuity and Recovery Plan cover letter
 - ▶ 2011 Business Continuity and Recovery Plan
 - ▶ 2011 Heat Emergency Response Plan
- ◆ Corporate Health Services Pandemic Plan
- ◆ Disaster Preparedness policy.

6. CORPORATE FINANCIAL OPERATIONS AND CONDITIONS

The organization's financial solvency will be evaluated. The Proposer's ability to demonstrate adequate financial resources for performance of the contract or the ability to obtain such resources as required during performance under this contract will be evaluated.

a. Maintaining Records for Governmental Contracts. Describe the Proposer's experience in maintaining records for governmental contracts and submitting financial statements to government agencies and compliance with the requirements of submission 6.b. below – Federal Financial Participation. Suggested number of pages: 2

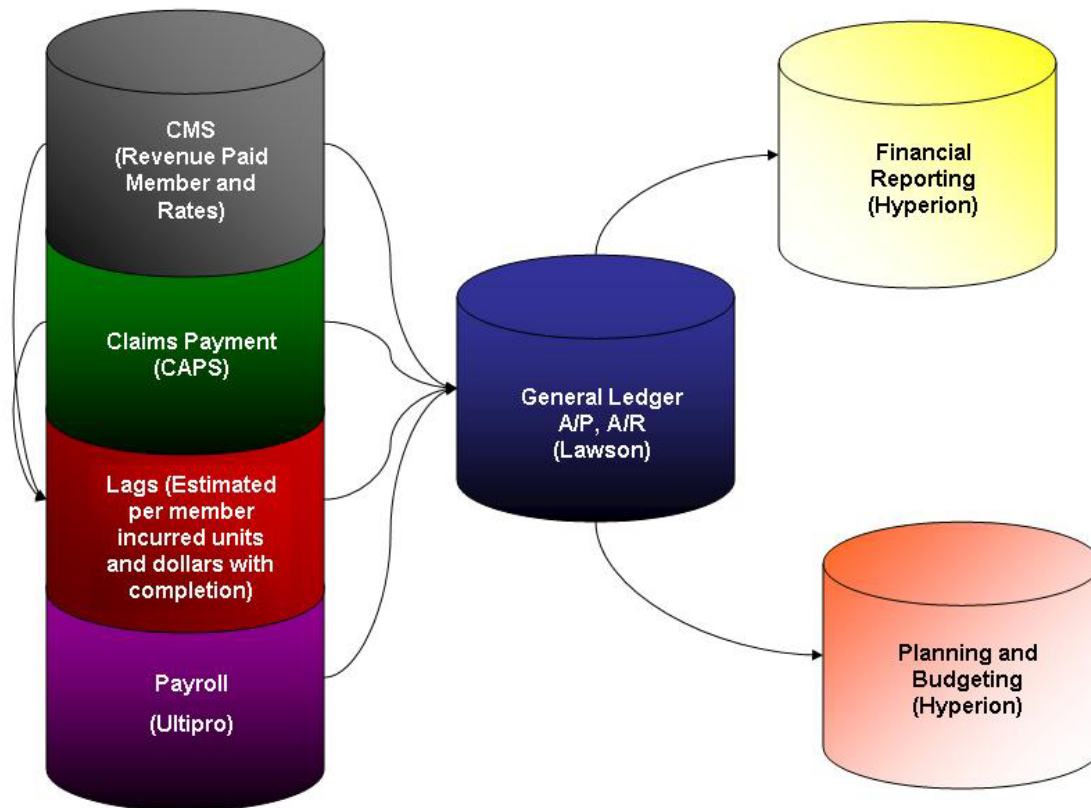
Louisiana can have confidence in Magellan's reporting capabilities particularly in the area of financial reporting. Our systems are automated and integrated which, by definition, means numbers are coming from the same source and therefore, reconcile. Magellan is a publicly-held corporation, and has been classified as a large accelerated filer by the Securities and Exchange Committee (SEC). As such, Magellan is required to meet a higher level of standards for internal accounting and reporting controls and procedures than that which is required of smaller public companies and for non-public companies. In particular, the Sarbanes-Oxley Act of 2002 requires Magellan to design, document, and test its system of internal accounting and reporting controls and procedures. Our controls and procedures are fully documented and are tested throughout the year. As part of the Company's reporting requirements to the SEC, management certifies as to the adequacy of these controls every quarter. Also, these controls are reviewed and audited annually by internal and external auditors, with no material deficiencies noted during the fiscal 2010 examination.

Specifically, Magellan has a single, integrated financial accounting platform based upon the Lawson ERP software, which feeds the Hyperion System 9 software that is used for financial reporting (i.e. Lawson feeds Hyperion, and Hyperion is used for financial reporting. See Financial Data Information Process Map below). In particular:

- ◆ all of Magellan's internal and external financial reporting deliverables (including contract level reporting) are derived from this platform
- ◆ oversight of Magellan's processes for recording revenue and expenses are centralized, to ensure consistency between business segments and individual contracts
- ◆ financial reports produced for distribution to internal and external users are subject to secondary review as part of Magellan's quality control process.

Figure 6.a. illustrates the organization and integration of departments that interact to create Magellan's financial reporting.

Figure 6.a—Financial Data Information Process Map



Magellan has several large state and county Medicaid customers that require extensive monthly, quarterly, and annual reports. Most of our public sector contracts require audited GAAP and/or Statutory financial statements and all of our public sector contracts require some level of reporting of revenue and/or services expenses at the rate cell/population subgroup level.

The most stringent reporting requirements that Magellan must meet are in conjunction with the five Counties we contract with under the *HealthChoices* program in Pennsylvania and the reporting required in Arizona. Reports must be filed on a monthly, quarterly, and annual basis detailing revenues, service costs, and administrative costs at the rate cell level. Magellan has successfully met the reporting requirements in Pennsylvania since 1997, and the reporting requirements for Arizona since 2007. Further details about our reporting capabilities are outlined on our response to Question 6.b.i.

b. Federal Financial Participation and Access to Records, Books, and Documents.

i. Describe the Proposer's general ledger and accounting system and how the system tracks and records revenue and expenses from separate funding streams, including location of system and records. Suggested number of pages: 3

All of the public sector contracts currently managed by Magellan require some level of reporting of revenue and/or services expenses at the rate cell/population subgroup level. We have consistently demonstrated our ability to meet clients tailored reporting needs. Magellan will utilize the categorization system that segregates each population subgroup requiring separate reporting. The unique service recipient identifier will be matched to claims payments and encounter data to allow for the tracking of each population subgroup. Additionally, where necessary, we will develop specialized reporting processes to match payment and encounter data, allowing for a reconciliation and payment validation for any block payment or grant funding we may implement in this program. Magellan has significant experience validating payment levels with encounter data.

Magellan's accounting system is designed to maintain segregated contract reporting. Our general ledger uses a variety of segregated coding tools that allow us to track funding sources separately and track the uses of those respective funds. We ensure that no commingling of funds occurs by setting up a separate and distinct account to accept the capitation payments and make claims and administrative cost payments.

Our claims payment system also allows for the tracking of separate benefit plan types, which will enable us to capture separately for accounting purposes the service costs from the claims system. Claims payments are organized by type of service, plan, and funding stream. This data is then transferred to the Lawson accounting system by the controller's office. Service costs that are not paid through the claims system will be paid through our accounts payable system and will be tracked through the general ledger cost account.

The accounts payable system allows for segregated coding that will match the payment to the distinct funding source. Administrative expenditures will be captured in a segregated account, and administrative allocations for corporate support functions will be charged directly to this contract. Magellan allocates divisional and corporate-level expenses to contracts utilizing established cost-accounting practices. These practices are modeled after the Federal Cost Accounting Standards. The Lawson system maintains separate cost centers and cash accounts organized according to a departmental coding structure specific to the contract. Direct administrative costs also are tied to specific cost centers to report against the contract revenue.

ii. Describe the Proposer's experience with audits from governmental agencies. Provide two examples of actual audit reports and the resulting corrective action plan. Suggested number of pages: 2

Most of our Public Sector contracts require annually audited GAAP and/or Statutory financial statements. These audits are performed by an independent accounting firm contracted by Magellan. In addition to these annual independent audits, Merit Health Insurance Company and several of our other regulated entities are subject to periodic examinations by the department of insurance in jurisdictions where the company is licensed. Our two most

6. Corporate Financial Operations and Conditions

recent of such examinations were conducted for Merit Health Insurance Company and for Magellan Behavioral Care of Iowa, Inc. The Illinois Department of Insurance conducted an examination of Merit Health Insurance Company for the period January 1, 2006 through December 31, 2010 and issued a report dated July, 2011. The Illinois report cited two technical instances of non-compliance with the insurance code, one dealing with the number of board members and another dealing with a requirement to file an inter-company agreement. The company is in the process of correcting these items. A copy of the Illinois examination report is included in Attachment 7. The Iowa Insurance Division conducted an examination of Magellan Behavioral Care of Iowa, Inc., our affiliate that contracts with the State of Iowa for the Iowa Medicaid Plan, for the year ended December 31, 2009. The report cited no deficiencies. A copy of the Iowa examination report is included in Attachment 7.

c. Financial Reporting. Submit the Proposer's audited financial statements that cover the two (2) most recent years and the most recent unaudited quarterly financial statements (year-to-date). If the Proposer is a newly formed corporation and does not have any audited financial statements submit the most recent annual audited (to cover the most recent two (2) years) and quarterly unaudited financial statements of the corporation that intends to provide funding or support to the newly-formed corporation. Disclose the relationships of the corporation providing funding to the Proposer. Suggested number of pages: 1 excluding the audited financial statements

The audited financial statements for the two most recent years and the most recent unaudited quarterly financial statement are included as Attachment 9. Also included are the two most recent years and the most recent unaudited quarterly financial statement for our parent, Magellan Health Services, in Attachment 8.

i. Describe the Proposer's experience in developing and submitting financial statements to governmental agencies and tracking revenue and expenditures by funding source. Suggested number of pages: 2 pages, and include three examples of actual reports submitted to governmental agencies. Identify customer(s) who can verify the experience.

Our response to question 6.a.describes our experience with maintaining records for governmental contracts and submitting financial statements to government agencies and compliance with the requirements of submission 6.b. below.

Our response to question 6.b.i. describes our general ledger and accounting system and how the system tracks and records revenue and expenses from separate funding streams, including location of system and records.

Included in 10 are three examples of actual reports submitted to governmental agencies. The following customers will be able to verify this experience:

HealthChoices – Bucks County, PA

Peter A. Hladish
Chief Financial Officer
Delaware County
Department of Human Services
20 S. 69th Street
Upper Darby, PA 19082

(610) 713-2259

HladishP@co.delaware.pa.us

HealthChoices – Lehigh County, PA

Kay Achenbach

Lehigh County Director, DHS Administrative Services & HealthChoices

KayAchenbach@lehighcounty.org

610-782-3475

Maricopa County, AZ

Cynthia Layne, Interim Chief Financial Officer

Arizona Department of Health Services

Division of Behavioral Health Services

150 North 18th Avenue

Phoenix, Arizona 85007

Cynthia.Layne@azdhs.gov

602-542-2879

ii. Describe the Proposer's experience in working with governmental agencies in developing and submitting financial and utilization data to assist in the monitoring of contractual performance and operations. Suggested number of pages: 2 and include three examples of actual reports submitted to governmental agencies. Identify customer(s) who can verify the experience.

Magellan is committed to providing the Department of Health and Hospitals-Office of Behavioral Health (DHH-OBH) with the quality and timely reporting needed to run a successful behavioral health care program. Our approach to reporting is characterized by a commitment to transparency. Given the dynamics of change in State legislation, Louisiana will need a robust set of reports to monitor the utilization and financial matters of this program. For years, Magellan has worked closely with governmental agencies to coordinate and capture key programmatic elements to provide reports that assist these agencies in monitoring contractual performance and program operations.

In Maricopa, Magellan produces a monthly utilization management report for the Arizona Department of Health Services to monitor utilization trends. In this example, Magellan's Clinical Operations and Data Reporting teams developed the report based on requirements outlined in Maricopa's Department of Behavioral Health Services specification manual. The data in this report is comprised of length of stay, inpatient authorizations, court-ordered commitment monitoring, and readmission rates grouped by demographic groups. Written analysis is provided by subject matter experts in each respective area. These SMEs provide interpretations of the data, explain upward or downward shifts, and provide a rationale for the affects of various system changes impacting the performance and operations of the Maricopa program. A sample of this report has been included in Attachment 11.

In Iowa, Magellan has significant experience validating payment levels using the Iowa Service Management and Reporting Tool (I-SMART) to monitor Iowa Department of Public Health (IDPH) funding utilization. We have been serving the statewide program since 1996 using prospective reimbursement arrangements that are reconciled to actual encounter-based case rate reimbursements, grant funding, and block purchases.

Magellan utilizes accounting systems that identify expenditures at the funding source level. Specifically, we utilize the Lawson general ledger system for the Iowa Plan. Through the use of a cost-center-based system, Lawson allows for

6. Corporate Financial Operations and Conditions

the reporting of expenditures at the contract and funding source level. This enables us to capture separately the service costs for Medicaid versus the IDPH provider payments. Our accounts payable system allows for segregated coding that identifies payment to the distinct fund source. We apply specialized reporting processes from the general ledger to match payment and utilization data, allowing for a reconciliation and payment validation for any block payment or grant funding in this program. Samples of the Medicaid reports Magellan currently provides to the Iowa Plan have been included in Attachment 7. Magellan tracks IDPH utilization and funding to monitor and support providers' contract compliance and produces reports for the State based on this information. A sample of the IDPH report has been included in Attachment 7.

In Pennsylvania, Magellan produces customized monthly utilization management reports (UMR) to support the monitoring of performance and operations. In this example, Magellan worked closely with the business customers as well as the claims, data reporting, and actuarial/financial departments of Magellan to determine all the necessary data elements to be collected and reported back to the customers. These reports provide a basis for estimating daily and monthly inpatient expenses on a contract basis. The report product uses authorization data at actual per diem reimbursement rates by provider, allowing us to apply utilization expenses on a daily basis. The report includes data on the unique funding streams that provide the basis for provider payments. The UMRs are also compared in retrospect to actual incurred claims per the claim lags to validate the accuracy of this leading indicator and reporting tool. A sample of the report Magellan provides to the Pennsylvania Plan has been included in Attachment 7.

Magellan routinely uses the data collected in our data warehouse to respond to reporting requests from Legislatures and other government entities. These requests generally come from the government entity through the appropriate department. For example, quality management (QM) data requests are made to Magellan's QM department and Provider data requests would be made through our network department. By directing these requests through the department most familiar with the type of data or reporting being requested, clarification of the requirements can be completed to ensure the delivery of correct data.

For example, the head of Magellan's QM department receives reporting requests from the Maricopa County State agency, such as a report on the number of children participating in a particular program, on a regular basis. When such requests are received, the QI department works closely with the IT department to extract the data from our databases and format it into the deliverable for the State. Magellan is usually able to respond to such requests on the same day or the next business day. Additionally, Magellan works closely with State courts interested in service recipients who have been arrested. The Magellan group responsible for monitoring recipients will often be asked by the court for a report of how many recipients are in jail at the current time. This information can be pulled from a report created specifically for this purpose, using real time data, and returned to the State within the hour.

All of Magellan's reports can be customized based on various parameters, dependent on how the reports are initially designed. Customizations and detail can be generated based on any data element used in the basic report. Magellan's reporting systems can export data in a variety of formats, including PDF, Excel Data, Excel Display, RTF, and Fully Executable RTF formats. Magellan's public sector customers prescribe their specific needs for information and Magellan is committed to meeting all of those needs. Magellan offers state-of-the-art system data access. The average turnaround time for non-critical Ad Hoc reporting requests is five days. For others, we will work closely with DHH-OBH to determine a mutually agreeable time frame.

d. Budget Tracking System (Early Warning System) Describe the Proposer's experience in working with governmental agencies in developing and submitting budget tracking systems (early warning systems) to track expenditures, utilization, cost per service and recipients in service by funding source. Suggested number of pages: 2 and include one example of actual reports submitted to governmental agencies. Identify customer(s) who can verify the experience.

We have significant experience in working with governmental agencies in developing and submitting budget tracking systems (early warning systems) to track expenditures, utilization, cost per service and recipients in service by funding source. We have developed a 26-report management reporting package that we supply to each of our five Pennsylvania HealthChoices Counties. Two reports from the 26-report package are provided in Attachment 12, as examples.

Contact for Verification:

HealthChoices – Lehigh County, PA
Allison E. Frantz
Lehigh County HealthChoices Administrator
17 South 7th St.
Allentown, PA 18101
610-782-3520
allisonfrantz@lehighcounty.org

e. Protection Against Liability and Insolvency. Describe how the Proposer will ensure that members are not held liable for services from providers and maintain compliance with 42 CFR §438.106 and Section 1932(b)(6), Social Security Act (as enacted by section 4704 of the Balanced Budget Act of 1997). In addition, provide the Proposer's experience with the regulations contained within this requirement. Suggested number of pages: 2

Magellan is very familiar with the 42 CFR §438.106 and Section 1932(b)(6), Social Security Act as it is an addendum to each of our Medicaid contracts. All of our Medicaid provider agreements includes the following terms to ensure that the members are not held liable for services from providers in compliance with 42 CFR §438.106 and Section 1932(b)(6), Social Security Act:

Compensation from Enrollees. Payment of amounts specified under this Medicaid Addendum shall constitute payment in full for Covered Services. Provider agrees that, in no event, including, but not limited to, the failure of Magellan or DHH-OBH to pay for Covered Services or other breach of this Medicaid Addendum by Magellan or the bankruptcy or insolvency of Magellan, shall Provider bill, charge, collect from, seek compensation, remuneration or reimbursement from, or have any recourse against Enrollees or persons other than Magellan or DHH-OBH acting on the Enrollee's behalf for Covered Services provided pursuant to this Medicaid Addendum. Provider further agrees that this provision supersedes any oral or written contrary agreement now existing or hereafter entered into between Provider and Enrollee or any person acting on the Enrollee's behalf. Provider also understands and agrees that no changes in this provision shall be made without prior written notice and approval of Health and Human Services and/or the Commissioner of Insurance for the state in which Provider renders Covered Services, as applicable.

This provision shall not apply to services that are not Covered Services, provided that Provider complies with the requirements set forth in the Agreement.

f. Solvency and Corporate Financial Condition.

i. The Proposer agrees to have in place within thirty (30) days of the Contract award date, capitalization requirements as will be established for this contract in the amount of funds equal to sixty (60) days of estimated payments to the Contractor, which is met with no encumbrances, such as loans subject to repayment. Describe in detail how this requirement will be met. If the Proposer is relying on another organization to meet the capitalization requirement, submit the most recent audited financial statements of the other organization. In addition, in this case, submit a written certification, signed and dated by the President/Chief Executive Officer of the parent organization, indicating the parent organization's plan to provide the initial minimum capitalization to the Proposer, without restrictions, within the time frame contained in the RFP. Suggested number of pages: 3

Magellan agrees to meet the capitalization requirements, with no encumbrances, within 30 days of the Contract award date and will continue to maintain the required capitalization through its own operations as well as through capital contributions from our parent company, if necessary. We have included the audited annual report of Magellan as of December 31, 2010 and quarterly filing as of March 31, 2011 in Attachment 8. Audited financial statements of our parent company, Magellan Health Services, Inc., included in Attachment 8, clearly indicate that there are available resources to make such contributions as required by the RFP. In addition, section 1 of our response includes a letter of certification, executed by René Lerer, M.D., Chief Executive Officer of Magellan Health Services, Inc., which sets forth the commitment and ability of the parent to make the working capital available.

ii. Describe the Proposer's business plan to fund any potential losses to ensure continued compliance with the capitalization requirements. Suggested number of pages: 1

Magellan agrees to meet the capitalization requirements, with no encumbrances, within 30 days of the Contract award date and will continue to maintain the required capitalization through its own operations as well as through capital contributions from our parent company, if necessary. We have included the audited annual report of Magellan as of December 31, 2010 and quarterly filing as of March 31, 2011 in Attachment 8. Audited financial statements of our parent company, Magellan Health Services, Inc., included in Attachment 8, clearly indicate that there are available resources to make such contributions as required by the RFP. In addition, section 1 of our response includes a letter of certification, executed by René Lerer, M.D., Chief Executive Officer of Magellan Health Services, Inc., which sets forth the commitment and ability of the parent to make the working capital available.

g. Non-Allowable Costs. Describe the Proposer's experience with following the guidelines of OMB Circular A-87 and maintaining compliance with those requirements. Suggested number of pages: 2 and include one example of A-87 Audit Report. Identify customer(s) who can verify the experience.

Magellan has not been subject to an OMB Circular A-87 audit, however Magellan has followed guidelines that are substantially similar, if not more, stringent than that required by OMB Circular A-87. Through our Federal contracts, Magellan is subject to Cost Accounting standards which are very similar to OMB A-87. Magellan has undergone Federal Agency CAS reviews and audits (such as the Defense Contract Audit Agency) over the many years of coverage with no deficiencies or exceptions noted. Therefore we are confident that we will be in full compliance with the RFP requirements as they relate to the allowable and non-allowable costs as outlined in OMB Circular A-87.

h. Performance Bond/Retainage. Describe how the Proposer will meet the performance bonding requirement outlined in the RFP. For purposes of this response assume that the initial performance bonding/retainage requirement is approximately ten percent of the total annual contract. Suggested number of pages: 2

Magellan has experience from other contracts with similar requirements with and the capacity available to meet the performance bonding requirement through multiple insurance companies to underwrite performance bonds. We will secure the bonds upon contract award.

i. Liquidated Damages. Describe the Proposer's experience in performing contracts with liquidated damages provisions and acknowledge the Proposer's acceptance of the liquidated damages provisions of this RFP. Suggested number of pages: 2

Magellan has experience in performing contracts with liquidated damages provisions. Most of the contracts we enter into offer incentives for meeting performance guarantees rather than risk of fee reduction for not meeting performance guarantees. Magellan accepts the liquidated damages provisions that DHH-OBH "may" assess for this RFP and looks forward to a dialog around the assessment time-frame. The performance thresholds represent national benchmarks of established managed care systems and we are excited to partner with DHH-OBH on moving the system forward.

j. Fraud and Abuse. The Proposer shall describe its approach for meeting program integrity requirements including a compliance plan for the prevention, detection, reporting, and corrective action for suspected cases of Fraud and Abuse in the administration and delivery of services. Discuss Proposer's approach for meeting the requirements for coordination with DHH and other State funding agencies. Include a description of the internal controls and policies and procedures, the Proposer will implement to detect fraud and abuse within its own organization, and for providers and Members. Describe the Proposer's experience with implementing a comprehensive fraud and abuse monitoring program. Include key personnel and departmental structure involved in Proposer's fraud and abuse program. Provide three (3) examples of fraud or abuse the Proposer has detected and what Proposer did upon detection. Identify a customer that can verify the experience. Suggested number of pages: 4

Magellan is committed to ensuring ongoing compliance with all contractual and regulatory requirements. Our Compliance Plan outlines a comprehensive program for preventing, detecting, monitoring, investigating, and reporting fraud, waste, abuse and overpayments. Our corporate compliance program complies with all state and federal requirements for government-sponsored programs. The elements of the Compliance Plan include: [I] Written Policies and Procedures; [II] Designation of a Compliance Officer and a Compliance Committee; [III] Conducting Effective Training and Education; Developing Effective Lines of Communication; [IV] Auditing and Monitoring; [V] Enforcement Through Publicized Disciplinary Guidelines and Policies Dealing With Ineligible Persons; [VI] Responding to Detected Offenses, Developing Corrective Action Initiatives and Reporting to Government Authorities; and [VII] Whistleblower Protection and Non-Retaliation policy.

All Magellan employees must complete separate annual trainings on HIPAA, Compliance Handbook Training, Fraud Identification & Recognition Education (F.I.R.E.). A primary goal of these trainings is to prevent and deter the perpetration of fraud, waste and abuse by employees, members, providers and other entities.

In addition, Magellan maintains a Corporate Compliance Hotline and other compliance procedures to foster an open atmosphere for employees and others to report suspected fraud, waste and abuse or other issues and concerns, free from retaliation. The Compliance Hotline is available 24 hours a day, seven days a week and is maintained by an outside vendor. Callers may remain anonymous.

Magellan checks the U.S. Department of Health and Human Services (HHS) Office of Inspector General (HHS-OIG) List of Excluded Individuals/Entities (LEIE), the U.S. General Services Administration's (GSA) web-based Excluded Parties List System (EPLS), and applicable state exclusion lists for names of excluded employees, contractors, providers, and vendors barred from participation in Medicare, Medicaid and other federal health care programs and state health care programs. We check these lists during credentialing, prior to employment, and prior to contracting with any vendor and monthly thereafter. Excluded individuals/entities are not hired, employed, or contracted by Magellan to provide services for our product offerings.

PREVENTION AND DETECTION OF FRAUD, WASTE AND ABUSE PROGRAM OBJECTIVES

Magellan has established specific objectives to prevent and detect fraud, waste and abuse. They are to establish an ongoing nationwide awareness and training program that (a) enables personnel to identify and handle suspected fraud, waste and abuse; (b) results in consistent referrals of suspected fraud, waste and abuse to the SIU; (c)

educate personnel and the public about fraud, waste and abuse and its effect on the cost of health care; (d) conduct thorough investigations of suspected fraud, waste and abuse; (e) confirm Magellan's reputation with insurers, plan sponsors, health care providers and law enforcement personnel as a company committed to combating the health care insurance fraud, waste and abuse problem; (f) establish a professional liaison with other companies, plan sponsors, providers, law enforcement agencies and governmental agencies involved in the prevention of fraud, waste and abuse.

Magellan aggressively pursues allegations of health care fraud, waste and abuse. Our Special Investigations Unit (SIU) is responsible for protecting the assets of Magellan and its clients by detecting, fraud, waste and abuse by conducting audits of internal and external sources of information.

In accordance with Magellan's Fraud, Waste and Abuse Compliance Program, the Chief Security Officer (CSO) and the Chief Compliance Officer (CCO) share responsibility for ensuring compliance with applicable Federal and State requirements, contractual obligations and Magellan policy. A local compliance officer (LCO) is assigned to each site and is responsible for ensuring compliance with all regulatory and contractual requirements at the State and contract level. To maintain the independence of the LCO, he or she also has a reporting relationship with the CCO, who in turn, has the authority to report compliance issues directly to Magellan's CEO and/or its Board of Directors.

Magellan has policies and procedures in place to address fraud, waste, abuse and overpayment. Policies include, but are not limited to the following:

- ◆ **Medicaid Fraud, Waste and Abuse Compliance Program** - Magellan's Medicaid Fraud, Waste and Abuse Compliance Program provides comprehensive prevention, detection and awareness training. The Fraud, Waste and Abuse Compliance Program helps employees to understand and to comply with applicable federal and state laws related to their jobs and demonstrate Magellan's commitment to conducting business honestly and responsibly to ensure ongoing compliance with the Medicaid Program Integrity requirements.
- ◆ **Federal and State False Claims Laws and Whistleblower Protections Policy** - The purpose of this policy is to identify and ensure ongoing compliance with the requirements of the Federal False Claims Act, the administrative remedies for false claims and statements and any applicable state laws including the remedies and whistleblower protections under these laws.
- ◆ **Excluded Individuals and Entities (Employees, Contractors, Providers & Vendors) Policy** – This policy describes Magellan's procedures to ensure that Magellan does not hire, employ or contract with individuals and entities that are listed on HHS-OIG LEIE, the GSA's web-based EPLS and applicable state exclusions lists.
- ◆ **Verification of Services Provided to Members Policy** - Magellan also has internal controls and procedures in place to verify that members actually received the services billed by providers that were ultimately paid by Magellan. The purpose of this review is to determine and to verify whether services billed by providers were actually received by members.
- ◆ **Evaluation of Behavioral Healthcare Service Utilization Policy** - This policy outlines a consistent process for identifying over- and under-utilization of behavioral health services and developing interventions to achieve appropriate use of behavioral health services. Outliers are identified and referred to the Special Investigations Unit for investigation.

- ◆ **Overpayments** - Magellan has internal controls in place to identify, report and recover overpayments and we report all identified overpayments made under the client's benefit plan to the client's SIU or other designated contact. We work with the client to report, recover and refund any identified overpayment in compliance with contract and regulatory provisions.

With each of our public sector contracts, we develop and implement a program-specific fraud and abuse compliance plan. For example, as part of one of our Pennsylvania (PA) Medicaid contracts, we recently worked with our County partner to develop an enhanced compliance and claims monitoring program for the prevention and detection of fraud, waste and abuse. Interventions were focused on providers and members. We implemented enhancements to the provider auditing process including enhanced audit tools specific to compliance and claims reviews. We developed an audit follow-up workflow which outlines all potential actions/interventions; directed correspondence to executives or boards members of provider organizations; and began to conduct in person meetings with provider leadership. Additionally, enhanced provider technical assistance includes email blasts on compliance and enhanced resources.

Furthermore as a result of Magellan's compliance program, which was customized for the PA Medicaid contract/program, from January 1, 2010 through May 31, 2011, 94 compliance and claims audits have been conducted which have resulted in 16 corrective action plans. During that timeframe, claims audits identified more than \$327,000 in overpayments which are being retracted from providers (compared to the previous two calendar years where \$6,000 to \$13,000 in overpayments was identified). Providers who were unable to implement and sustain required compliance and billing protocols after multiple audits and episodes of technical assistance have been removed from the network. Six hundred member services verification letters have gone out since 2010 and all members have positively verified that they have received services for which Magellan was billed (32 percent response rate). The Commonwealth was impressed with the results of this program and it was adopted as a best practice across the commonwealth and other MCOs were required to adopt this practice.

EXAMPLES OF FRAUD OR ABUSE

SIU-2009-000014

Magellan Health Services' Special Investigations Unit (SIU) initiated this investigation of SUBJECT due to a referral received from personnel at the Magellan Care Management Center (CMC). The referral indicated that an audit of SUBJECT revealed instances of services billed without the supporting documentation in the patient record, billing for more service units than rendered and violation of several PA Medical Assistance Bulletins.

Investigator analyzed SUBJECT's billing history and applicable regulations. An onsite claims audit of medical records identified additional overpayments. These overpayments were a result of violations of several Pennsylvania regulations. The audit team consisted of internal Magellan personnel from provider networks, compliance, quality improvement clinicians and the customer's quality assurance manager.

The SIU audit substantiated the allegations identified in the original referral and results were sent to the PA Bureau of Program Integrity. Further information was provided to the Office of Attorney General, Commonwealth of Pennsylvania Bureau of Criminal Investigations.

Customer Contact Information:

Lehigh County HealthChoices
Matthew Bauder, M.S.
Quality Assurance Manager
17 S. 7th St.
Allentown, PA 18101
610-782-3526
Email: mattbauder@lehighcounty.org

MHS-2011-01-00021

Magellan Health Services' Special Investigation (SIU) received this referral when a whistleblower called the SIU and reported that services were rendered by unlicensed providers and then billed under the name of a physician. The SIU was subsequently contacted by a Licensing Board Investigator and a New Jersey Bureau of Fraud Deterrence Investigator. Both investigators reported that they had been contacted by the above mentioned whistleblower.

The SIU investigator analyzed the provider's billing history, selected records for audit and requested these records from SUBJECT. SUBJECT only sent one file and requested an onsite audit for the remainder of the records. A review of the file revealed that services were rendered by an unlicensed therapist and the services were billed under the name of a licensed physician.

This investigator communicated the information to the Licensing Board Investigator and the New Jersey Bureau of Fraud Deterrence Investigator. The Licensing Board Investigator sent a subpoena for billing and file documentation and Magellan complied with the request.

The SIU also communicated the information to Magellan's Network Department and to its health plan customers. Magellan's Network Department reported that SUBJECT was placed on a Hold (prevented from receiving new referrals) and the Regional Network Credentialing Committee (RNCC) subsequently voted to terminate SUBJECT'S contract.

Magellan's SIU conducted an on-site audit of SUBJECT'S records and found errors with 100 percent of the documentation. The investigator invited the investigators from the State and from its health plan customers to join the audit. The State and health plan investigators either declined or were unable to participate.

Magellan's findings were communicated to both the state investigators and the Magellan's health plan customers.

Customer contact information:

Independent Blue Cross (IBC)

Rod Sullivan, Director, CFID (Corporate & Financial Investigations Dept)
215-241-0414
Roderick.Sullivan@IBX.com

Independent Blue Cross (IBC)

Fred Brooks, Manager, CFID

215-640-7302

Frederick.Brooks@IBX.com

MHS-2009-08-00028

This referral was received by Magellan's Special Investigations Unit (SIU) from Magellan Field Network Management. An analysis of SUBJECT'S billing history found SUBJECT submitted claims for treatment rendered on multiple holidays, weekends and excessive service in a twenty-four hour period. A Magellan Health Services care management center (CMC) also received a complaint from the parent of minor members who indicated that her children did not see SUBJECT and she had no knowledge of SUBJECT.

SIU investigator developed a rapport with SUBJECT'S office manager and discovered through a phone interview that SUBJECT had been incarcerated on non-fraud related charges during the time which Magellan received electronic claims for services and paid provider via electronic funds transfer. Office manager indicated SUBJECT told her to continue to bill services for SUBJECT during HIS incarceration. All payments to SUBJECT were suspended.

SUBJECT'S previous landlord was interviewed after being identified through court documents, as he filed a lawsuit against SUBJECT for failure to pay rent. Landlord indicated SUBJECT had not returned to the location that he rented and all of his property left at the site had been disposed of. Landlord indicated medical records may have been included in those items. Investigator contacted the Sheriff where SUBJECT was incarcerated and he confirmed the dates on which SUBJECT was arrested and released and the charges SUBJECT was facing.

This case was referred to the Georgia Attorney General's Office's State Health Care Fraud Control Unit. This case was also submitted for Regional Network Credentialing Committee (RNCC) review for review of SUBJECT'S status in Magellan's provider network.

The Medicaid Fraud Control Unit in GA was the primary contact after the investigation. SUBJECT and his girlfriend were both indicted on charges of Medicaid Fraud. The court date is set for September 2011.

Customer Contact information:

D. Williams-McNeely
Senior Assistant Attorney General
State Health Care Fraud Control Unit
2100 East Exchange Place
Building One, Suite 200
Tucker, Georgia 30084
770-414-3655, ext. 272

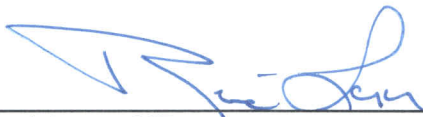
OFFICER'S CERTIFICATION

MAGELLAN HEALTH SERVICES, INC.

I, the undersigned, am the Chief Executive Officer of Magellan Health Services, Inc. (MHS). I hereby certify to the Louisiana Department of Health and Hospitals Office of Behavioral Health (the "Office") as follows on behalf of MHS, knowing that the Office will rely upon this Certification in considering whether or not to award a contract to MHS's subsidiary, Merit Health Insurance Company ("Magellan") pursuant to RFP # 305PUR-DHHRFP-SMO-OBH (the "RFP"):

1. In the event that Magellan is awarded a contract by the Office pursuant to the RFP, MHS shall make a cash contribution to Magellan in an amount sufficient to enable Magellan to meet the reserve requirements of the RFP, which amount Magellan estimates to be approximately \$25 million dollars (\$25,000,000); and
2. MHS shall guaranty all obligations of Magellan pursuant to such contract, including, but not limited to, the obligation to maintain required reserves and meet solvency requirements.
3. MHS has sufficient cash to make such contribution to Magellan. As shown on MHS's most recent financial statement, MHS has unrestricted cash and investments at March 31, 2011 in excess of \$356 million dollars (\$356,000,000).

Date: August 3, 2011



René Lerer, MD
Chief Executive Officer

7. COST AND PRICING ANALYSIS

a. The Proposer shall specify costs for performance of tasks. The Proposal shall include all anticipated costs of successful implementation of all deliverables outlined. An item by item breakdown of costs shall be included in the proposal, including per member per month costs associated with the covered populations.

Magellan agrees. Please see the Cost Proposal, separate from the technical proposal, which includes pricing and all anticipated costs of successful implementation of all deliverables. It also includes an item-by-item breakdown of costs, including per member per month costs.

b. Proposers shall submit the breakdown as described in Attachment IV.

Magellan agrees. Please see the Cost Proposal, separate from the technical proposal, which contains a breakdown.

8. CMS CERTIFICATIONS

The Proposer shall complete the CMS required certifications listed in the Attachments section of this RFP.

Please see our responses to attachments V, VI, and VII, which immediately follow this section. Attachment I is included as part of section 1.

CERTIFICATION OF COMPLIANCE WITH PRO-CHILDREN ACT OF 1994

Contractors must comply with Public Law 103-227, Part C Environmental Tobacco Smoke, also known as the Pro-Children Act of 1994 (Act). This Act requires that smoking not be permitted in any portion of any indoor facility owned or leased or contracted by an entity used routinely or regularly for the provision of health, day care, education, or library services to children under the age of 18, if the services are funded by federal programs either directly or through State or local governments. Federal programs include grants, cooperative agreements, loans or loan guarantees, and contracts. The law also applies to children's services that are provided in indoor facilities that are constructed, operated, or maintained with such federal funds. The law does not apply to children's services provided in private residences; portions of facilities used for inpatient drug or alcohol treatment; service providers whose sole source of applicable federal funds is Medicare or Medicaid; or facilities (other than clinics) where WIC coupons are redeemed.

The Contractor further agrees that the above language will be included in any subawards that contain provisions for children's services and that all sub grantees shall certify compliance accordingly. Failure to comply with the provisions of this law may result in the imposition of a civil monetary penalty of up to \$1000 per day.

Signature: _____

Title: Jonathan Rubin, Chief Financial Officer

Organization: Magellan Health Services, Inc.

Date: August 3, 2011

**CERTIFICATION REGARDING DEBARMENT, SUSPENSION, INELIGIBILITY AND
VOLUNTARY EXCLUSION -- LOWER TIER COVERED TRANSACTIONS**

By signing and submitting this proposal, the proposer is providing the certification set out below:

1. The certification in this clause is a material representation of fact upon which reliance was placed when this transaction was entered into. If it is later determined that the proposer knowingly rendered an erroneous certification, in addition to other remedies available to the federal government the Contracting Agencies may pursue available remedies, including suspension and/or debarment.
2. The proposer shall provide immediate written notice to the person to whom this proposal is submitted if at any time the proposer learns that its certification was erroneous when submitted or had become erroneous by reason of changed circumstances.
3. The terms covered transaction, debarred, suspended, ineligible, lower tier covered transaction, participant, person, primary covered transaction, principle, proposal, and voluntarily excluded, as used in this clause, have the meaning set out in the Definitions and Coverage sections of rules implementing Executive Order 12549. You may contact the person to which this proposal is submitted for assistance in obtaining a copy of those regulations.
4. The proposer agrees by submitting this proposal that, should the proposed covered transaction be entered into, it shall not knowingly enter into any lower tier covered transaction with a person who is proposed for debarment under 48 CFR part 9, subpart 9.4, debarred, suspended, declared ineligible, or voluntarily excluded from participation in this covered transaction, unless authorized by the Contracting agencies.
5. The proposer further agrees by submitting this proposal that it will include this clause titled "Certification Regarding Debarment, Suspension, Ineligibility and Voluntary Exclusion--Lower Tier Covered Transaction," without modification, in all lower tier covered transactions and in all solicitations for lower tier covered transactions.
6. A participant in a covered transaction may rely upon a certification of a prospective participant in a lower tier covered transaction that it is not proposed for debarment under 48 CFR part 9, subpart 9.4, debarred, suspended, ineligible, or voluntarily excluded from covered transactions, unless it knows that the certification is erroneous. A participant may decide the method and frequency by which it determines the eligibility of its principals. A participant may, but is not required to, check the List of Parties Excluded from Federal Procurement and Non-procurement Programs.
7. Nothing contained in the foregoing shall be construed to require establishment of a system of records in order to render in good faith the certification required by this clause. The knowledge and information of a participant is not required to exceed that which is normally possessed by a prudent person in the ordinary course of business dealings.
8. Except for transactions authorized under paragraph 4 of these instructions, if a participant in a covered transaction knowingly enters into a lower tier covered transaction with a

person who is proposed for debarment under 48 CFR part 9, subpart 9.4, suspended, debarred, ineligible, or voluntarily excluded from participation in this transaction, in addition to other remedies available to the federal government, the Contracting Agencies may pursue available remedies, including suspension and/or debarment.

**CERTIFICATION REGARDING DEBARMENT, SUSPENSION, INELIGIBILITY AN VOLUNTARY
EXCLUSION--LOWER TIER COVERED TRANSACTIONS**

(1) The proposer certifies, by submission of this proposal, that neither it nor its principals is presently debarred, suspended, proposed for debarment, declared ineligible, or voluntarily excluded from participation in this transaction by any federal department or agency.

(2) Where the proposer is unable to certify to any of the statements in this certification, such proposer shall attach an explanation to this Proposal.


(Signature)

Jonathan Rubin, Chief Financial Officer

(Title)

Magellan Health Services, Inc.
(Company Name)

CERTIFICATION REGARDING LOBBYING

The undersigned certifies, to the best of his or her knowledge and belief, that:

- A. No federal appropriated funds have been paid or will be paid on behalf of the Contractor to any person for influencing or attempting to influence an officer or employee of any federal agency, a member of the Congress, an officer or employee of the Congress, or an employee of a member of Congress in connection with the awarding of any federal contract, the making of any federal grant, the making of any federal loan, the entering into of any cooperative agreement, or the extension, continuation, renewal, amendment, or modification of any federal contract, grant loan or cooperative agreement.
- B. If any funds other than federal appropriated funds have been paid or will be paid to any person for influencing or attempting to influence an officer or employee of any federal agency, a member of the Congress, or an employee of a member of Congress in connection with this Contract, grant, loan, or cooperative agreement, the applicant shall complete and submit Standard Form-LLL, "Disclosure Form to Report Lobbying," in accordance with its instructions.
- C. The Contractor shall require that the language of this certification be included in the award documents for all subawards at all tiers (including subcontracts, subgrants, and contracts under grants, loans and cooperative agreements) and that all subrecipients shall certify and disclose accordingly.

This certification is a material representation of fact upon which reliance was placed when this transaction was made or entered into. Submission of this certification is a prerequisite for making or entering into this transaction imposed by Section 1352, Title 31, U.S.C.A. Any person who fails to file the required certification shall be subject to a civil penalty of not less than \$10,000 and not more than \$100,000 for each such failure.

Signature: _____



Title: Jonathan Rubin, Chief Financial Officer

Organization: Magellan Health Services, Inc.

Date: August 3, 2011