

**Holliday, Karen**

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**From:** Keltch, Brian W (IS) [Brian.Keltch@ngc.com]  
**Sent:** Wednesday, October 28, 2015 11:59 AM  
**To:** Holliday, Karen  
**Cc:** Roberts, Beverly D (IS); Caro, Amy (King) (IS); Ruth Whitney (rwhitney@inveritasinfo.com)  
**Subject:** NG Requested items for the October 29, 2015 the Joint Performance Review Committee  
**Attachments:** NG\_Email\_2\_27\_2013.docx; NG\_Email\_EEF\_2\_18\_2013.docx;  
NG\_Responses\_to\_JPR\_Committee\_Questions.doc; ARKANSAS 29Oct2015 Statement of Amy Caro.docx

Dear Ms. Holiday,

Please find attached the requested Northrop Grumman (NG) items for the Joint Performance Review (JPR) Committee meeting on Thursday, October 29, 2015 at 9:00 a.m. Please find the following attached:

- The written statement of Amy Caro, Sector Vice President and General Manager, Health Division, Northrop Grumman
- The NG responses to the JPR Committee Questions
- Two NG emails referred to in our responses to the JPR Committee Questions
- A redacted copy of the NG EEF Technical Proposal, August 14, 2012 (will deliver on CD due to size)
- A redacted copy of the NG EEF Orals Presentation, September 21, 2012 (will deliver on CD due to size)

We respectfully request that these materials not be distributed outside of the JPR Committee members before the October 29<sup>th</sup> meeting. We look forward to supporting the JPR Committee at tomorrow's meeting.

Thank You,  
Brian Keltch

**Brian Keltch**  
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**Statement of Amy Caro**  
**Vice President and General Manager, Northrop Grumman Corporation**  
**Before the**  
**Joint Performance Review Committee**  
**Arkansas General Assembly**  
**Little Rock, Arkansas**  
**October 29, 2015**

Thank you, Representative Hammer and Senator Clark for the opportunity to appear before you again today to discuss Northrop Grumman's 2012 bid to the Department of Human Services' for the Medicaid Eligibility and Enrollment Framework (EEF) project. My name is Amy Caro. I am the General Manager and Vice President of the Northrop Grumman Health Division and have responsibility for Northrop Grumman's support for the EEF. Several people from my organization are with me here today including Northrop Grumman's Director for State Health & Human Services Operating Unit, Beverly Roberts, and my manager for this program, Brian Keltch.

Northrop Grumman is the fifth largest global security firm in the world with 68,000 people worldwide working on a number of challenging defense, intelligence, civilian and health care issues. In health care, Northrop Grumman delivers innovative health systems and advanced analytics and our experts provide information services and solutions to help customers solve complex problems to protect our global community. Our human services business operates in 14 states, including Arkansas, and in various departments within the federal department of Health and Human Services such as CMS, SSA, and CDC. We have 25 years of human services experience and an extensive record of success and innovation in our areas of concentration.

As the Chairpersons are aware, the Committee submitted several questions to us in advance of today's hearing requesting information on specific events following the submission of the 2012 bid to DHS. I am prepared to answer those questions today in as much detail as you need. If your questions seek proprietary information, I would like to provide that information in a closed meeting.

Let me say at the outset that Northrop Grumman is a proud provider of services to the state of Arkansas. Now in our 18<sup>th</sup> year of service to the State, we provide direct application development and support to DHS programs for SNAP/TANF and Medicaid eligibility, SNAP/TANF case management, Blind Services, Child Care, Child Welfare, and Special Nutrition. So while we were disappointed we were not awarded the prime contract in 2012 and left out of the second round of negotiations when the Noridian agreement fell through, we understand that part of the cost of doing business with public entities includes both winning and losing bids.

Our 128 Arkansas employees take great pride in the work they do for their state and the support they provide for the citizens who need the assistance of the Department of Human Services. Working together with DHS, we have delivered our tasks on time and within budget. We remain cognizant that our involvement, *our performance*, matters.

I am happy to answer any of your questions.

Thank you.

10/29/15

*Written Questions to Northrop Grumman for hearing with AR Joint Performance Review Committee*Question #1

What steps did Northrop Grumman (NG) take to submit a bid after the original Eligibility and Enrollment Framework (EEF) Request for Proposal (RFP) went out?

With all bids we review the RFP and determine based on our solution set how to best respond to the solicitation. Based on the requirements, we determined that the Commercial Off-The-Shelf (COTS) framework solution known as Curam was a suitable and best fit solution for AR's requirements and proceeded to respond to the state with a Curam based solution. Specifically, to prepare our bid and team we performed due diligence on other Curam implementations, finalized partnering agreements with companies additional expertise in Curam framework development for Medicaid, hired key resources with Curam experience in the US experienced in implementation under the new Affordable Care Act (ACA) guidelines for modified adjusted gross income (MAGI) implementations, and trained key personnel in both Agile development and Curam framework implementation to certify and prepare staff for the EEF program. We worked with our selected team mates to develop a comprehensive solution for the published requirements and compile a compliant response to the EEF RFP. We then submitted our proposal to the State; when down selected for orals we continued the process of preparing for Orals; we presented at Orals and awaited the vendor selection decision from the State.

Question #2

- Provide a copy of their original bid
  - *We have provided an electronic copy of our Technical and Cost Volumes and well as our Cost Clarification. We brought hard copies of these items and can make copy available if the committee would desire them.*

Question #3

- What amount did NG bid and their justifications for the costs outlined in the bid?
  - *NG bid as the prime contractor in the primary role of systems integrator with RedMane and IBM as partners for \$53M over an 18 month period of performance*

*project. Our company and our subcontractors estimated the work to be performed using industry estimating methods and tools based on the publish requirements in the RFP. Staffing levels are derived from the number of hours estimated to perform work to complete those requirements.*

Question #4

- Did NG have to modify their bid/expenses as more milestones, etc. were added?
  - *No, we did provide a cost clarification as was requested.*

Question #5

- Were the milestones, etc. required by CMS or DHS, or both? Were they onerous or costly enough to slow the bidding process down?
  - *The RFP contained more than 600 specific requirements and the originating party of those requirements was not specified in the RFP. We did not find the requirements onerous; however, we did feel the schedule to be aggressive, and proposed to mitigate the tight schedule by running parallel teams.*

Question #6

- Give a brief overview about the oral bid presentation given
  - *Detailed requirements were provided by the Office of State Procurement (OSP) for the Orals presentation. The presentation started at 9am and ended at ~2:30pm with an hour lunch break on 9/21/2012. The orals consisted of both a PowerPoint presentation and a live demo of the Curam tool.*
  - *The Agenda had two major sections:*
    - *System Demonstration & Business Processes (Addressed 8 topics)*
    - *Agile Approach (Addressed 5 topics)*
  - *We have provided an electronic copy of our Orals Presentation. We brought hard copies of these items and can make copy available if the committee would desire them.*

Question #7

- When and how did NG learn that Noridian had withdrawn their bid?
  - *We were informally told this on 2/15/2013 by the DHS Chief Information Officer (CIO).*

Question #8

- When and how did NG learn that DHS would not be negotiating with the next ranked proposal on the RFP (which was NG)?
  - *We spoke with DHS about this on 2/18/13 and DHS indicated that OSP said that they were precluded from going to the 2nd highest bidder. On February 27, 2013, we confirmed with OSP that the State would not be able to go to the 2nd highest bidder of the RFP.*

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Question #9

- When did NG submit a letter to DHS inquiring about the reasons why DHS would not negotiate with the second ranked vendor (NG)?
  - *We did not submit a letter; rather we did send an email to DHS staff (Dick Wyatt and Janie Huddleston) indicating that we would be willing and able to negotiate, and that our reading of State Law would allow the state to negotiate with us.*

Question #10

- Can NG provide a copy of that letter?
  - See above.





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**From:** Brian Keltch  
**Sent:** Monday, February 18, 2013 12:08 PM  
**To:** Dick Wyatt  
**Cc:** Janie Huddleston; Arndell, Jim (IS)  
**Subject:** EECF Procurement

Dick,

Thank you for meeting with me on Friday and sharing the status of the EECF procurement.

On the issue of the additional Curam labor categories for the AR-ISS contract, I have talked to Jim and we will draft the addendum to add the two Curam and one Java labor categories to our contract.

I think we have started defining some reasonable approaches to meet the ACA October 2013 and January 2014 deadlines. I look forward to developing these with you.

Now that the state has ended negotiations with Noridian, we believe it is in the states best interest to discuss the EECF procurement with NG:

- Arkansas procurement law allows negotiations with the next highest scoring vendor (Ark. Code Ann. § 19-11-263, 230, and 229)
- NG is qualified to manage this project and scored just slightly behind Noridian. (NG was \$13M lower in price than Noridian and scored within 1.4 points)
- The project scope remains the same even though this delay will require a new project plan and revised pricing.
- As you have indicated all along CMS requires that a project of this size and complexity be competitively bid.

While I understand that much critical time has been wasted with Noridian negotiations, I assure you that NG would respect your schedule and as a matter of practice has started project activities pre-contractually on a letter contract basis. We have done this on our Tennessee and Wyoming Medicaid Eligibility contracts.

You asked that I consider a couple of options:

The first is that NG would serve as a sub to CAI. The difficulty with subbing to CAI is that CAI's contract is by definition a staff augmentation contract which carries two big sticking points. The first is that OSP and DIS adopted the CAI Pennsylvania Staff Augmentation contract in whole which contain several terms and conditions that are irrelevant to our work in Arkansas. Secondly, the more significant problem is the loss of management and control of our staff.

The second option, CAI hiring staff and NG managing those staff, is problematic as well. NG needs to have direct contractual relationships with our team members to effectively complete this work.

We bid what we believe is the best team to complete the EECF work. As the window continues to close on this one-time Federal injection of resources that can be utilized for long overdue modernization, I assure you that we are very interested in doing the right thing for Arkansas. I have discussed this turn of events with NG executive management, and they have several potential approaches and are anxious to meet with DHS and OSP as soon as possible to discuss next steps.

Thank You,  
Brian

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**From:** Arndell, Jim (IS)  
**Sent:** Wednesday, February 27, 2013 11:01 AM  
**To:** Keltch, Brian W (IS); Grazda, Tom (IS); Roberts, Beverly D (IS); Osmond-Hessney, Nancy A (IS); Ruth Whitney  
**Cc:** Frank, Jeanette E (IS)  
**Subject:** Arkansas

All,

I spoke with Rebecca Kee (Arkansas Procurement Officer) today regarding the Eligibility System Procurement. One of the questions that we had was why they couldn't go to the second vendor if negotiations with the originally selected vendor broke down. She said that when they issued the contract to Noridian that Brian and I found on the Arkansas Transparency website that it signaled the end of the solicitation. At that point Noridian changed from selected vendor to a Contractor and that they would have to terminate that contract and go back out to bid. Dick however told Brian that there is not a signed contract between the State and Noridian. She said that she has heard nothing regarding further actions by DHS. She said that preparing, issuing, evaluating and negotiating a new solicitation would take 6-8 months. I said that we had heard nothing other than negotiations with Noridian had stopped. She is fairly low level but said that she had heard absolutely nothing other than DHS is in between a rock and a hard place going forward with this program.

