Business Reengineering/Efficiencies
Planning and Management Support Services

State of Louisiana
Division of Administration
Office of the Commissioner
RFP#: 107P01-00000012049

Due date November 4, 2013
Washington DC
1200 19th Street NW, Suite 1100
Washington, DC 20036

Volume 2: Cost Proposal

Presented to:
Ruth Johnson
Office of the Commissioner
Division of Administration
1201 N. Third Street, Suite 7-210
Baton Rouge, LA 70802

McKinsey Original

This Proposal is contingent on the Parties reaching mutually agreeable terms and conditions and upon acceptance of any limitations described herein.
November 4, 2013

Ruth Johnson
Office of the Commissioner
Division of Administration
1201 N. Third St., Suite 7-210
Baton Rouge, LA 70802

Dear Ms. Johnson:

Thank you for the opportunity to propose on the Business Reengineering/Efficiencies Planning and Management Support Services proposal for the State of Louisiana (State). Please find attached McKinsey & Company Inc. Washington DC’s (McKinsey) Technical Proposal for the Request for Proposal (RFP) number 107P01-00000012049. We have read the RFP, and we understand and are able to deliver the scope of services associated with this effort. It would be our privilege to serve the State of Louisiana, and we look forward to helping State agencies increase savings, operational efficiencies, and revenue maximization of general funds in the next budget cycle.

By selecting McKinsey, the State gains a partner who:

- Has successfully managed multiple projects of this size, scale, and complexity. We have served states and large organizations across the full scale of their challenges.
- Can get the job done quickly and correctly—even under pressure.
- Will focus on and deliver improvements in both efficiency and effectiveness to work with you to improve your agencies’ mission delivery, not to simply become more cost effective.
- Possesses a track record of designing and launching sustainable/irreversible solutions.
- Brings expertise across the public and private sector— you do not have to choose between either.
- Recognizes that driving change in government is hard, but that we know how to do it using rigorous data and analytics, as well as tested and tailored organizational design theory.
- Understands the goals and challenges of the State of Louisiana.

McKinsey is the world’s leading management consulting firm, with more than 9,000 professionals, working in nearly 100 offices in 60 countries worldwide. For more than 80 years, our mission has been to help private and public sector enterprises achieve distinctive, substantial, and lasting improvements in their performance. Our success is based upon our unwavering commitment to driving impact to our clients—by bringing the facts to the table and providing an unbiased framing of the issues and risks. We facilitate executive decision-making and deliver a comprehensive, integrated path forward.
I am the lead partner for this engagement and I will serve as the main point of contact for this bid. I am also authorized to make representations on behalf of and legally bind McKinsey to any agreement related to this effort. I confirm that the technical and cost proposals are binding upon our firm in all respects for 120 days from submission (November 4, 2013). The full formal name of the Proposer responding to this RFP is McKinsey & Company Inc. Washington DC.

Thank you for the opportunity to serve the State of Louisiana. If you have any questions, or if there is anything that you need, please do not hesitate to contact me. I can be reached at (202) 662-0078, or via email at Tyler_Duvall@mckinsey.com. For contractual questions, please contact Contracts Manager Michelle Reeve at (202) 662-0983, or via email at Michelle_reeve@mckinsey.com.

Sincerely,

Tyler Duvall, Principal
1200 19th Street NW, Washington, DC 20036
(202) 662-0078 (O), (202) 579-4875 (M)
Tyler_Duvall@mckinsey.com
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1.0 Tab 1 – Executive Summary

McKinsey & Company, Inc. (McKinsey) and the rest of our team is excited to propose to Louisiana a wide-ranging transformation proposal in response to this ambitious Request for Proposal (RFP) from the Division of Administration (DOA), Office of the Commissioner. The State's RFP is comprehensive and bold, and the firm or firms that receive award(s) under this contract will have an unprecedented opportunity to deliver an array of benefits to the State and its citizens. The firm that is awarded will also face substantial challenges across virtually every dimension, and will need to be equipped with a mix of skills that few firms possess, including breadth, depth, creativity and practicality.

Our team has this mix of skills, as well as the values required to be your partner. For more than 80 years, our mission has been to help private and public sector enterprises achieve distinctive, substantial and lasting improvements in their performance. A primary reason we are so excited about this specific opportunity is the extent to which the State has already embraced major reforms over the last five years across agencies and functions. Whether it has been creative partnerships with the private sector, more aggressive use of technologies than ever before seen in Louisiana, new staffing strategies, or eliminating unnecessary functions or assets, it is safe to say that Louisiana has become a national leader in driving government innovation.

Our consulting model is based on our desire and ability to tackle the world's most complex problems. We are not a firm that will ever compete well when problems are simple and when answers are obvious. We are a firm that specializes in finding opportunities where many believe that none exist. This can often be the case following a multi-year initiative when many of the "low hanging fruit" opportunities have already been realized.

Why McKinsey is the right partner for Louisiana

We have successfully managed many projects of this size, scale and complexity in the public and private sectors: We have served states and other large organizations across the full scale of their challenges that have characteristics similar to this RFP. Our firm's 80-year history is rooted in helping transform the world’s most sophisticated and complex private sector organizations. In the last decade, we have deployed our capabilities, our focus and our drive to solve the biggest problems facing the public sector worldwide. In fact, we have more large-scale transformation experience and have conducted broader research on this topic than any other firm.

We bring access to unequalled expertise and insights: Unlike other consulting firms, McKinsey is truly a global partnership. We hire top talent, and our team has the breadth and depth needed to help Louisiana succeed. Our partners for this engagement have a broad range of experience working in government as agency leaders and leading private sector companies. Further, our team brings years of consulting experience in both the public and private sectors. With this base of experience, we can confidently bring cutting edge practices to Louisiana and tailor them to meet your specific needs.

We deliver results quickly: It is clear that the Governor, the Commissioner and the DOA are charting an aggressive reform course. We thrive in these situations and will rapidly scale up our firm's unparalleled expertise and capabilities in response. We deploy our global expertise systematically against a clearly defined plan that is managed day-to-day by some of the world's most talented consultant leaders and project managers. We have a rigorous approach that includes frequent progress check-ins, daily interaction with clients, and constant partner
participation. Unlike other firms, our leadership team works "on the ground" to drive projects forward. We have designed our effort so that we deliver insights and impact to the State within 75 days.

**We will find efficiencies that do not compromise performance or service:** We will focus on and deliver improvements in both efficiency and effectiveness to help you improve your agencies' mission delivery. We have never accepted a false tradeoff between cost savings and government performance. In fact, we are more convinced than ever that the techniques, tools and approaches we describe in detail in our proposal can unlock higher performance at a sustainably lower cost. Any firm can recommend cost cutting, but very few firms can actually design a cost efficiency program that allows agencies to more quickly achieve mission performance targets. We bring state-of-the-art knowledge and a suite of proprietary tools and analytics. We have made significant investments to make many of our models and tools scalable and accessible to Louisiana even after McKinsey finishes the engagement.

**We know Louisiana and how to have impact in the State:** McKinsey works extensively with both private and public sector institutions in the State. Our clients span critical economic sectors, including basic materials, manufacturing, oil and gas. We also have experience working with Louisiana from hurricanes recovery efforts to the more recently, supporting LED develop their Blue Ocean strategy for Louisiana's economic development. Our consulting partners bring rich experience to the effort, with both technical capabilities and local context. For example, Henry Consulting’s experience ranges from designing New Orleans’ post-Katrina recovery plan and managing LADOTD's statewide Disadvantage Business Enterprises (DBE) program, to aiding in the statewide rollout of the LaCare Medicaid program and designing Entergy's residential and commercial Energy Efficiency Program.

**We have deep commitment to your success:** We will put Louisiana's interests first, and bring you an independent perspective. One of our core values is the "obligation to dissent," which means we encourage all consultants, regardless of tenure, to speak openly based on facts. The State will always hear what we honestly believe will help you succeed. We work jointly with you at all levels of your organization. Our consulting style and intention on this engagement is to work 'shoulder-to-shoulder' with Louisiana employees. It enables us to build a shared understanding of the challenge and build your team's capabilities along the way, and develop a shared sense of ownership for the best output for the State.

Projects of this magnitude can sometimes lose momentum when the project consultant period of performance ends. We will invest heavily in ensuring that our approach, analytics and capabilities are transferred to relevant agency leaders in Louisiana. Our cloud-based WAVE tool is an example where we have codified our Savings Model, and Initiative Monitoring and Tracking reports into a tool that can be accessed by agency employees over the web.

**Highlights from Our Proposal and Our Approach**

We propose to complete all 27 deliverables within a 75-day project timeline. Our approach is designed to be fast and comprehensive, and position the State for a successful implementation phase. Each focus area described below will have a dedicated team of consultants who will partner with agency leaders, assess the opportunities in the context of the agency's mission, and develop plans and models for Louisiana's business reengineering program.

**An embedded team in the DOA:** We plan to deploy consultants full time in the agency to lead the assessment for Administration Services, Facilities and Risk Management. Given DOA's unique role with cross-state responsibilities, our consultants will analyze and create a state-wide
strategy and synergies across DOA and other agencies examining procurement/sourcing, savings models, and the governance/service line catalog.

**Embedded teams in agency 'clusters':** We see three clusters of agencies with thematic overlaps, synergies, and common initiatives. We have organized our approach and teams to work with i) the Health cluster of DHH and DCFS, ii) the Public Safety cluster consisting of DPS, DOJ and OJJ, and iii) an Economic cluster consisting of LDR, LED, and DOT. Each cluster and agency will have dedicated consultants who will support leaders in developing their agency plans, including human capital management, revenue maximization plans (where appropriate), organizational structure assessments, and provider management plans.

**Coordinating the effort with a program management office (PMO):** We propose that we form a cross-agency program management office or PMO to direct the overall diagnostic effort, ensuring the agency level plans translates to an actionable, cohesive implementation plan for the State. This PMO will be responsible for bringing McKinsey's experience and leading project management tools to complete the cross-agency deliverables, such as the monitoring and tracking model, project management plan, and change management activities.

We envision two phases to build a reengineering plan for Louisiana: an assessment phase and a planning phase, each with a detailed set of activities, milestones, and deliverables. In our proposal, we show which McKinsey methodologies and tools we will deploy, and present cases that show our perspectives and learnings for experience for each topic. At the end of these two phases, the State will have a comprehensive assessment and project plan to manage implementation of operational efficiencies, savings and revenue maximization services model, and the deliverables supporting project implementation. All this will take place within 75 days of the project start, in time to inform the executive budget.

While ambitious, we believe that with the partnership of the State and its leadership, this is an achievable timeline and we stand confidently behind it. Critical to our approach is the focus on working collaboratively with State's project team members to ensure full ownership of plans and to build capabilities needed for implementation. This collaboration will occur in daily interactions as well as through workshops run throughout the engagement (e.g., workshops to share and align on current state findings, identify and prioritize improvement initiatives, or finalize list of initiatives and outline the project plan).

We believe that McKinsey is the ideal partner to work with Louisiana. With our deep commitment to serving leading organizations around the world, our experience driving successful efficiency improvement programs, and our broad sector knowledge of the scope of work, we will enable Louisiana to make this effort a success. We are personally and professionally enthusiastic to work with you on this critical initiative. We recognize the enormous impact that this effort could have on the lives of millions of individuals, and it would be an honor to partner with you on it.
2.0 Tab 2 – Administrative Requirements
ATTACHMENT B: CERTIFICATION STATEMENT

The undersigned hereby certifies that the information set forth in this proposal is true, complete, and correct and that the firm will comply with the requirements of the State of Louisiana's Business Reengineering/Efficiencies Planning and Management Support Services RFP.

OFFICIAL CONTACT: The State requests that the Proposer designate one person to receive all documents and respond to the method in which the documents are being delivered. Identify the Contact name and fill in the information below.

Date: 10/31/2013

Official Contact Name: Tyler Duvall, Principal

A. E-mail Address: tyler.duvall@mckinsey.com

B. Facsimile number with area code: (202) 687-1331

C. U.S. Mail Address: 1200 18th Street, N.W., Suite 1100, Washington, DC 20036

Proposer certifies that the above information is true and complete, and authorizes the State or Agency to contact the above named person or otherwise verify the information provided.

By its submission of this proposal and the signature below, Proposer certifies that:

1. The undersigned, its affiliates, and its representatives, if any, have complied with Louisiana’s blackout period and will continue to comply until the blackout period ends.

2. The information contained in its responses in this RFP is accurate.

3. Proposer complies with each of the mandatory requirements listed in this RFP and will not cease to meet the functional and technical requirements specified therein.

4. Proposer accepts the procedures, evaluation criteria, mandatory contract terms and conditions, and any other administrative requirements as stated in this RFP.

5. Proposer’s quote is valid for at least 90 days from the date of Proposer’s signature below.

6. Proposer understands that if selected as the successful Proposer, it will have 10 to 30 business days from the date of delivery of final contract award to complete contract negotiations, if any, and execute the final contract document. Any parties who have been suspended or debarred can be viewed via the internet at https://www.acf.gov/sd.

Authorized Signature: [Signature]

Typed or Printed Name: Tyler Duvall

Title: Principal


Address: 1200 18th Street, N.W., Suite 1100

City: Washington

State: DC

Zip: 20036

11/1/2013

SIGNATURE of Proposer’s Authorized Representative DATE:

Business Reengineering and Efficiencies Planning and Management Support Services RFP

Volume 2: Cost Proposal
McKINSEY & COMPANY, INC. WASHINGTON D.C.

SECRETARY'S CERTIFICATE

THE UNDERSIGNED, Yuliya Levin, being the duly elected and acting Assistant Secretary of McKinsey & Company, Inc. Washington D.C., a Delaware corporation, HEREBY CERTIFIES that the following is a true and correct copy of the resolutions duly adopted by written consent of the Executive Committee of the Board of Directors, dated as of October 30, 2013; and that such resolutions are in full force and effect and have not been amended, modified or rescinded as of the date hereof:

RESOLVED, that in connection with a Request for Proposal for the Business Reengineering/Efficiencies Planning and Management Support Services (the “RFP”), by the State of Louisiana, Tyler Davall (the “Attorney”) be, and hereby is, authorized and empowered to execute, in the name and on behalf of the Corporation, the proposal(s) and all other documents related thereto, including, but not limited to, any related contract(s), and to comply with any other requirement connected to or arising from the RFP documents, proposal(s) and/or from the RFP process; and

FURTHER RESOLVED, that the Corporation shall have the power to revoke the foregoing powers and authorities at any time; termination of employment of the Attorney with the Corporation or its affiliates, as the case may be, shall be deemed an express revocation by the Corporation of the foregoing power and authorities as of the date of termination; and

FURTHER RESOLVED, that the officers of the Corporation be, and each of them is, hereby authorized, empowered and directed to take such actions and execute and deliver such documents as may be necessary or appropriate to effectuate the intent and purposes of the foregoing resolutions.

IN WITNESS WHEREOF, the undersigned has executed this certificate this 30th day of October, 2013.

Yuliya Levin
Assistant Secretary

STATE OF NEW YORK
COUNTY OF NEW YORK

I, Rachel Toms, Notary Public, do hereby certify that the foregoing instrument was duly executed before me this 30th day of October, 2013.

Rachel Toms
Notary Public

RACHEL TOMS, Notary Public, State of New York
No. 012660919
Qualified in Queens County
Commission Expires September 30, 2014
Certificate filed in New York County
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<td>Business Corporation (Non-Louisiana)</td>
<td>WILMINGTON</td>
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Business: MCKINSEY & COMPANY, INC. WASHINGTON D.C.
Charter Number: 37045997F
Registration Date: 5/12/2009
State Of Origin:

Domicile Address
2711 CENTERVILLE ROAD, SUITE 400
WILMINGTON, DE 19808

Mailing Address
55 EAST 52ND STREET
NEW YORK, NY 10022

Principal Business Office
55 EAST 52ND STREET
NEW YORK, NY 10022

Registered Office in Louisiana
320 SOMERULOS ST.
BATON ROUGE, LA 70802-6129

Principal Business Establishment in Louisiana
C/O CORPORATION SERVICE COMPANY
320 SOMERULOS STREET
BATON ROUGE, LA 70802-6129

Status
Status: Active
Annual Report Status: In Good Standing
Qualified: 5/12/2009
Last Report Filed: 5/1/2013
Type: Business Corporation (Non-Louisiana)

Registered Agent(s)
Agent: CORPORATION SERVICE COMPANY
Address 1: 320 SOMERULOS ST.
### Officer(s)

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<th>Address 1</th>
<th>City, State, Zip</th>
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<tr>
<td>RICHARD ELDER, II</td>
<td>Director, President</td>
<td>55 EAST 52ND STREET</td>
<td>NEW YORK, NY 10022</td>
</tr>
<tr>
<td>VIRGINIA MOLINO</td>
<td>Vice-President, Secretary, Director</td>
<td>55 EAST 52ND STREET</td>
<td>NEW YORK, NY 10022</td>
</tr>
<tr>
<td>STEPHEN PICCININNI</td>
<td>Treasurer</td>
<td>55 EAST 52ND STREET</td>
<td>NEW YORK, NY 10022</td>
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### Amendments on File (1)

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## 3.0 Tab 3 – Cost Schedules

### 3.1 Schedule 1 Project Cost Summary

This Section will be completed by the State upon proposal review.

| Schedule 2: Fixed Fee Deliverables Schedule | Cost |
| Schedule 3: Project Rate Sheet | Cost |
| Total Cost | Cost |

### 3.2 Schedule 2 Total Project Budget and Deliverable Dates

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*McKinsey and the State shall negotiate upon award a monthly invoicing schedule for milestone payments.

### 3.3 Schedule 3 Rate Sheet Model

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*All hourly Staff Augmentation support services will be provided by Elstrott, Maurer & Hunnewell LLC, Henry Consulting and/or Intueor Consulting, Inc. Staff Augmentation rates as provided assume resources aligned to each category will have experience in the scope areas provided in the RFP as demonstrated in our proposed staffing/resumes.

As an option, in addition to the staff augmentation services outlined above, McKinsey is available to provide implementation support services on a fixed price basis. As the State identifies implementation requirements for the Contractor to execute, our McKinsey Implementation team could provide on the ground support at an agreed upon fixed price. Our seasoned implementation team provides an integrated start to finish support model that guarantees success, a philosophy of working with clients to build their capabilities and provide focused coaching where leadership gaps exist, and a tested toolkit that focuses both on performance and health. McKinsey Implementation will work with the State on the scope and pace required, providing flexibility to the State when budget or resource constraints are a concern. Should the State opt to utilize these services, a McKinsey Implementation team comprised of full time staff and McKinsey leadership support would be available at a weekly team bundle price that can be negotiated as requirements are determined.
3.4 Budget Narrative

The McKinsey Team approach for the Schedule 2 Consulting Services brings the best of McKinsey, EMH, Henry Consulting, and Intueor to deliver all outlined services and associated deliverables within 75 days from contract start. Our delivery model deploys Leadership (dedicated Partners and Director support), full-time Working Teams (project manager, analysts, and embedded Subcontractor resources), and reach-back into a global network of Experts, targeting three major focus areas; Department of Administration, Project Management, and Agencies, as outlined within our technical approach and demonstrated in Exhibit 1.

Each of these parts has dedicated teams focused on assessing and planning part of the State’s business reengineering

Exhibit 1. McKinsey Team Delivery Approach

Our full-time teams are on the ground with the State, working hand in hand to provide a thorough assessment and create detailed plans that will help the State achieve the most operational efficiencies and cost savings. Regardless of the time, energy, or hours, our team assures the State we will do whatever it takes to make this effort a success. In addition to our team’s deep expertise and dedicated time, the McKinsey Team approach offers: a host of proprietary diagnostic tools that provide customized, rapid and rigorous analytics; access to a global pool of experts who invest their careers in developing knowledge in specialized areas through client work and research; and embedded local teaming partners who will provide subject matter expertise, local context, and continuity that will carry into the staff augmentation delivery.
The McKinsey Team approach will be delivered across two phases, spanning 11 weeks: an Assessment Phase and a Planning Phase. At the end of these two phases, the State will have a comprehensive assessment and project plan to manage implementation of operational efficiencies, savings and revenue maximization services model, as well as critical state-wide functions. All of this will take place within 75 days of the project starting, as outlined within our detailed Project Plan in Exhibit 2.

Our comprehensive Consulting Services support model allows our teams on the ground to collaborate and share knowledge across all of the deliverables, achieving economies of scale and efficiencies to deliver all required services. For example, the project and change management requirements and associated deliverables can be developed and deployed by McKinsey Team project management and utilized across all agency and state-wide deliverables. Similarly, many of the diagnostic tools can be leveraged across multiple agencies under our comprehensive approach, streamlining the overall delivery. The fixed prices outlined in Schedule 2 above depicts the cost savings achieved through this model and is contingent upon the State awarding the Consulting Services, as outlined, in its entirety. Any changes or reductions in the scope of services required would result in a change to proposed deliverable costs. Should the State choose to procure support for only one Consulting Services deliverable, the price would be $1.2M. This increased deliverable cost is a result of the loss of scale as described above. Should the State be interested in issuing multiple deliverables to the McKinsey Team, but not the entire comprehensive Schedule, we will work with the State to evaluate what efficiencies and economies of scale could be achieved for those agency and statewide deliverables chosen and determine if any savings could be applied.