STATE OF NEW MEXICO
HUMAN SERVICES DEPARTMENT
PROFESSIONAL SERVICES CONTRACT
AMENDMENT No. 2

THIS AMENDMENT No. 2 (Amendment) to Professional Services Contract (PSC) 19-630-8000-0003 (Agreement) is made by and entered into by and between the State of New Mexico, Human Services Department, hereinafter referred to as the “HSD” or the “Procuring Agency”, and McKinsey & Company Inc. Washington D.C., hereinafter referred to as the “Contractor”, and collectively referred to as the “Parties.”

The purpose of this Amendment is to:
1. Amend compensation among state fiscal years for the Deliverable changes in this Amendment;
2. Amend Exhibit A, Scope of Work, to add Deliverable 8, to sustain output in the context of a fast-paced BTC approach; and
3. Amend Exhibit A, Scope of Work, to add Deliverable 9, to provide Leadership Counseling phase II; and
4. Amend Exhibit A, Scope of Work, to add Deliverable 10, to provide ISD’s Foundation of Change; and
5. Amend Exhibit A, Scope of Work, to add Deliverable 11, to provide ISD’s Business Process Transformation Setup; and
6. Amend Exhibit A, Scope of Work, to add Deliverable 12, to provide ISD’s Redesigns, Implementation and dedicated coaching.

UNLESS OTHERWISE SET OUT BELOW, ALL OTHER PROVISIONS OF THE ABOVE REFERENCED AGREEMENT REMAIN IN FULL EFFECT AND IT IS MUTUALLY AGREED BETWEEN THE PARTIES THAT THE FOLLOWING PROVISIONS OF THAT AGREEMENT ARE AMENDED AS FOLLOWS:

Section 1, Scope of Work, Exhibit A, is amended to read as follows:

1. **Scope of Work.**
   The Contractor shall perform all services detailed in Exhibit A, Amended Scope of Work, attached to this Agreement and incorporated herein by reference.

Section 2, Compensation, Paragraph A, is amended to read as follows:

2. **Compensation.**
   A. The HSD shall pay to the Contractor in full payment compensation (fixed fees) not to exceed ten million six thousand seven hundred thirty four dollars ($10,006,734) including gross receipts tax, if applicable, for services satisfactorily performed as set forth in Exhibit A, Amended Scope of Work. This amount is a maximum and not a guarantee that the work assigned to be performed by Contractor under this Agreement shall equal the amount stated herein. The New Mexico gross receipts tax, if applicable, levied on the amounts payable under this PSC shall be paid by the Contractor. The parties do not intend for the Contractor to continue to provide services
without compensation when the total compensation amount is reached. The Contractor is responsible for notifying the HSD when the services provided under this Agreement reach the total compensation amount. In no event will the Contractor be paid for services provided in excess of the total compensation amount without this Agreement being amended in writing prior to those services in excess of the total compensation amount being provided.

The total amount payable to the Contractor under this Agreement for services satisfactorily performed shall not exceed three million five hundred fifty thousand dollars ($3,550,000) including GRT, if applicable, in FY19.

The total amount payable to the Contractor under this Agreement for services satisfactorily performed shall not exceed five million eighty six thousand nine hundred forty four dollars ($5,086,944) including GRT, if applicable, in FY20.

The total amount payable to the Contractor under this Agreement for services satisfactorily performed shall not exceed one million three hundred sixty nine thousand seven hundred ninety dollars ($1,369,790) including GRT, if applicable, in FY21

Exhibit A, Scope of Work, Section VII, Deliverables is amended with the following:

1. Deliverable 8 amended to provide immediate support to sustain output in the context of a fast-paced BTC approach;

2. Deliverable 9 amended to provide Leadership Counseling phase II; and

3. Deliverable 10 added to provide ISD's Foundation of Change.

4. Deliverable 11 added to provide ISD's Business Process Transformation Setup.

5. Deliverable 12 added to provide ISD's Redesigns, Implementation and dedicated coaching.

All other Articles and Deliverables of PSC 19-630-8000-0003, as amended, remain unchanged.
IN WITNESS WHEREOF, the Parties have executed this Agreement as of the date of the signature by the required approval authorities below:

By: ________________________
David Scrase, HSD Cabinet Secretary
Date: 10/15/19

By: ________________________
Paul Ritzma, HSD General Counsel
Date: 10/10/19

By: ________________________
Danny Sandoval, HSD Chief Financial Officer
Date: 10/10/19

By: ________________________
Contractor
Date: 8/07/19

The records of the Taxation and Revenue Department reflect that the Contractor is registered with the NM Taxation and Revenue Department to pay gross receipts and compensating taxes:

CRS ID Number: 03-405436-06-7

Taxation and Revenue is only verifying the registration and will not confirm or deny taxability statements contained in this contract.

By: ________________________
Tax and Revenue Department
Date: 10/16/19

This Agreement has been approved by the SPD Contracts Review Bureau:

By: ________________________
Date: 10/18/19
EXHIBIT A
AMENDED SCOPE OF WORK

VII. Deliverables:

Deliverable 8: Sustained output in the context of a fast-paced BTC approach

<table>
<thead>
<tr>
<th>Deliverable Name</th>
<th>Due Date</th>
<th>Compensation</th>
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<tbody>
<tr>
<td>Sustained output in the context of a fast-paced BTC approach</td>
<td>No Later Than 110 Days After Amendment 2 Execution</td>
<td>$2,132,535, includes gross receipts tax</td>
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<tr>
<th>Task Item</th>
<th>Sub Tasks</th>
<th>Description</th>
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</table>
| Sustained output in the context of a fast-paced BTC approach | Continuation of necessary support to ensure MMISR is on a good path | 1. Support BTC SteerCo through continued journey re-designs, facilitating up to 8 meetings (incl. support on critical decision where needed), helping prepare material, facilitating discussion, helping tackle potential follow-ups  
2. Support up to 3 tracks with up to 3 meetings each per week, to help move forward on journey mapping and redesign - including facilitating the track meeting when needed  
3. Support and follow up on up to 2 discussions with IV&V dedicated to tackling any concern arising from their status report  
4. Update DD1 and M&O and continue to support the cost model based on latest discussions with vendors by Q4 2019 (incl. updates needed based on opportunity to share with state and federal partners) |
### Deliverable 9: MAD Leadership counseling, phase II

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<tr>
<th>Deliverable Name</th>
<th>Due Date</th>
<th>Compensation</th>
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<tbody>
<tr>
<td>MAD Leadership counseling, phase II</td>
<td>No Later Than 110 Days After Amendment 2 Execution</td>
<td>$70,462, includes gross receipts tax</td>
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<th>Sub Tasks</th>
<th>Description</th>
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| MAD Leadership counseling, phase II | Refine MAD’s 4-year strategic plan | 1. Refine, based on overall context & potential new priorities, the full 4-year strategic plan, including actions, owners, associated timeline – e.g., organizing up to 2 MAD leadership workshops  
2. Refine, if needed based on overall context, priorities for the current fiscal year |
| MAD Leadership counseling, phase II | Facilitate alignment with State stakeholders | 1. Define and syndicate comprehensive list of KPIs to track MAD’s progress across strategic plan (incl. alignment with Department of Finance on key metrics tracked)  
2. Define 3-4 signature KPIs to represent MAD’s effort (e.g., on population served, systems enhancements – incl. “signature innovation”)  
3. Support up to 3 meetings with state stakeholders to align on MAD’s strategic priorities |
### Deliverable 10: ISD’s foundation for change

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<th>Deliverable Name</th>
<th>Due Date</th>
<th>Compensation</th>
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<tbody>
<tr>
<td>ISD’s foundation for change</td>
<td>No Later Than 180 Days After Amendment 2 Execution</td>
<td>$933,947, includes gross receipts tax</td>
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| ISD’s foundation for change | Setup Core Team & develop a transformation vision | 1. Set up a core team, with selected participants from both central and field offices (incl. outside of Albuquerque/Santa Fe), to refine workplan, drive and be the point of reference for the transformation within the organization  
2. Develop with core team a “change story” to help boost morale and address internal stakeholder buy-in for the need for change  
3. Develop with core team a transformation vision for ISD, in line with HSD’s vision |
| ISD’s foundation for change | Prepare OII/ change readiness survey | 1. Collect initial material to create a baseline understanding of ISD’s current operating model (e.g., Organizational Charts, mission statements, strategic plan, communication plan, trainings)  
2. Develop with core team a tailored change readiness survey (CRS), based on initial draft to be provided based on work with MAD  
3. Select a set of recipients for the CRS (20-30) and launch the survey - to be completed by the Contractor up to once per month over 12 months  
4. Refine with core team, if needed, the Organizational Health Survey questions |
| ISD’s foundation for change | Launch OHI & dedicated deep-dives | 1. Launch OHI, monitoring and enhancing completion rate  
2. Perform dedicated interviews with central and field office executives on Culture & Change, to complement OHI results  
3. Identify change agents/ most influential/ trusted people within the Division who can be champions for proposed changes  
4. Analyze and present Organizational Health results in (a) dedicated workshop(s) with key stakeholders, discussing key takeaways and initiatives |
| ISD’s foundation for change | Action plan | 1. Develop a detailed change management plan, which includes: strategic goals, sequence and timing for pilot and scale-up of proposed changes, communication plan for each major stakeholder type, training, performance management and tracking  
2. Share Organizational Health results, Vision, change management plan synthesis with the whole organization through townhalls and visits to select field offices |
| ISD's foundation for change | Launch OHI & dedicated deep-dives | 1. Launch OHI, monitoring and enhancing completion rate  
2. Perform dedicated interviews with central and field office executives on Culture & Change, to complement OHI results  
3. Identify change agents/ most influential/ trusted people within the Division who can be champions for proposed changes  
4. Analyze and present Organizational Health results in (a) dedicated workshop(s) with key stakeholders, discussing key takeaways and initiatives |
| ISD's foundation for change | Assess "no-regret" organizational changes | 1. Conduct up to 2 workshops to create a list of potential organizational changes, based on fact base collected  
2. Conduct a workshop with key stakeholders to select "no regret" organizational changes for ISD |
Deliverable 11: ISD Business Process Transformation setup

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<th>Deliverable Name</th>
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<tbody>
<tr>
<td>ISD Business Process Transformation setup</td>
<td>No Later Than 260 Days After Amendment 2 Execution</td>
<td>$871,684, includes gross receipts tax</td>
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| ISD Business Process Transformation setup | As-is catalogue           | 1. Review ISD’s existing documentation of processes and conduct interviews for undocumented processes, creating an as-is catalogue that will enable staff journey mapping  
2. Create prioritization criteria to identify journeys most relevant to ISD staff members |
| ISD Business Process Transformation setup | Future journeys design     | 1. Redesign first 2 priority journeys (e.g., staff escalation journey), including review of best-practice journey examples  
2. Create a playbook for the organization based on key learnings from first 2 journey redesign and ISD context-specific characteristics  
3. Launch implementation of "quick wins" (i.e., non-system related changes to be implemented in 4-8 weeks) identified based on journey redesigns  
4. Redesign another priority journey with core team leading the process, leveraging the playbook  
5. Create a roadmap and scale staff journey redesigns for ISD, identifying and tracking KPIs (both overarching & journey-specific)  
6. Review and identify opportunities for ISD to improve/transform client journeys |
**Deliverable 12: ISD redesigns implementation & dedicated coaching**

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<tr>
<th>Deliverable Name</th>
<th>Due Date</th>
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<tr>
<td>ISD redesigns implementation &amp; dedicated coaching</td>
<td>No Later Than 320 Days After Amendment 2 Execution</td>
<td>$498,106, includes gross receipts tax</td>
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| ISD redesigns implementation & dedicated coaching | Implementation kick-off | 1. Kick-off implementation of first set of changes/quick-wins based on the redesigned 2 journeys  
2. Drive redesign of another 2 journeys with ISD core team |
| ISD redesigns implementation & dedicated coaching | Coaching & workshops | 1. Organize dedicated workshops (up to 1 per week over 5 weeks) to deep dive on specific topics of interest (e.g., bootcamps, best practices review) for additional ISD staff - i.e. beyond core team |