CONTRACT #2
RFS # 309.01-12109
FA # 09-25329

Treasury
Division of Claims
Administration

VENDOR:
Sedgwick Claims Management Services, Inc.

STATE OF TENNESSEE

RECEIVED
JAN 14 2010
FISCAL REVIEW

DAVID H. LILLARD, JR.
STATE TREASURER

TREASURY DEPARTMENT
STATE CAPITOL
NASHVILLE, TENNESSEE 37243-0225

MEMORANDUM

TO: Fiscal Review Committee

FROM: David H. Lillard, Jr., Treasurer
Department of the Treasury

DATE: January 14, 2010

RE: ***Non-competitive Amendment Request: Workers' Compensation Claims Management Services Contract Between the Tennessee Treasury Department and Sedgwick Claims Management Services, Inc.***

BACKGROUND

The Tennessee Treasury Department is responsible for administering the State's workers' compensation program made available to employees of the State of Tennessee in accordance with Tennessee's general workers' compensation laws. Goals of the program include: (1) ensuring that injured State workers throughout the State have reasonable access to and receive prompt, appropriate treatments and levels of care from the health care community during their recovery from their injury; (2) providing lost time benefits, which represent salary replacement payments, to injured State workers on a biweekly basis to minimize the financial consequences of their injury; (3) payment of permanent disability benefits; and (4) assisting injured State workers in returning to work at the earliest point possible, consistent with their injury and treatment plan.

To meet these goals, the Treasury Department has been contracting with a third party administrator (TPA) since September 1993 for the delivery of these workers' compensation benefit services. The TPA serves as the focal point of service delivery and is responsible for investigating all workers' compensation claims filed by injured workers and for making determinations as to the compensability of accidents, subject to the Department's oversight. The State's current TPA is Sedgwick Claims Management Services, Inc. The contract with Sedgwick was procured through a request for proposal

that was issued on April 14, 2008. The term of the contract is from September 1, 2008 through August 31, 2013.

Tennessee, like many states, is facing a substantial revenue shortfall this year. As a result, the Treasury Department has been actively seeking ways to reduce its budget this year. As a part of its efforts, the Department approached Sedgwick and requested it to analyze options to reduce administrative costs to the State under the contract by 9½% for this next fiscal year, i.e., from July 1, 2010 through June 30, 2011. The 9½% reduction would save the State $105,108 based on anticipated workers' compensation claim volumes for fiscal year 2011.

I.

DESCRIPTION OF THE PROPOSED AMENDMENT EFFECTS & ANY ADDITIONAL SERVICE

The proposed amendment does not add any additional services. Instead, the amendment would lower the Contractor's fees by $105,108 for the period from July 1, 2010 through June 30, 2011 as a part of the Treasury Department's efforts in further reducing its budget for fiscal year 2011. Under the current contract, fees are billed based on the number of workers' compensation claims filed by State employees each month. For the months of July and August 2010, the fee for medical only claims is $146 per claim and $837 per claim for lost time claims. For the months of September 2010 through June 2011, the fee for medical only claims is $150 per claim and $862 per claim for lost time claims. This proposed amendment would change the fee arrangement to a flat annual fee of $968,078 effective July 1, 2010 and ending on June 30, 2011 regardless of the number or type claims received. Based on an historical analysis of the State's workers' compensation claims volume, the anticipated claims volume for July 1, 2010 through June 30, 2011 would be 2,570 for medical only claims and 808 for lost time claims resulting in anticipated fees of approximately $1,073,186 under the current contractual fee arrangement. In exchange for the reduction in fees, the amendment would reduce the level of certain administrative functions currently being performed by the Contractor for the period from July 1, 2010 through June 30, 2011. Commencing July 1, 2011, the level of functions would revert back to their previous level. Specifically, the level of administrative functions that would be reduced are:

1. The monthly meetings between the State and the Contractor would be held by telephone conference call rather than at the State's facilities in Nashville. Quarterly meetings would continue to be held in person at the State's facilities.

2. The Contractor would no longer be required to have one of its claims adjusters to carry a pager at all times to personally answer telephone calls after business hours. Currently, at least one of the Contractor's claims adjusters must carry a pager or cell phone to answer calls after hours.

   The Contractor would still be required, at its own expense, to maintain a toll-free call center which is staffed 24 hours per day, 365 days per year to respond to inquiries from claimants and health care providers concerning the status of claims,

medical bills, and panels of physicians. If a call is made to the Contractor after hours, the Contractor would advise the caller of the Contractor's normal office hours and provide the caller with information that will allow the caller to either leave a message or re-route the caller to the call center to have a supervisor paged should it be an emergency situation.

3. The maximum caseload for the Contractor's examiners who handles workers' compensation indemnity claims would change from 175 each in the state of Tennessee to 190 each in the state of Tennessee.

4. Under the current contract, the State requires the Contractor to meet or exceed four different file performance standards. If the Contractor does not meet or exceed the standards, the Contractor is required to refund to the State two percent (2%) of the total compensation earned by the Contractor for services rendered under the contract during the previous six-month period. One such standard is that eighty percent (80%) of lost time claims must be decided within fourteen (14) calendar days from the date received by the Contractor. This amendment would increase the allowable time period from fourteen (14) calendar days to twenty-one (21) calendar days. Another standard is that ninety-five percent (95%) of all lost time files must have 3 point contact (employee, employer, physician) within twenty-five (24) hours of receipt of the claim. This amendment would modify the forgoing by providing that ninety percent (90%) of all lost time files must have 3 point contact (employee, employer, physician) within 48 hours of receipt of the claim. The Contractor has never failed to meet any of the performance standards.

II.

EXPLANATION OF NEED FOR THE PROPOSED AMENDMENT

Tennessee, like many states, faces a substantial revenue shortfall this year. As a result, the Treasury Department is actively seeking ways to reduce its budget this year. As a part of its efforts, the Department approached the Contractor and requested it analyze options to reduce administrative costs to the State by 9½%. This amendment would reduce the Contractor' fees by 9½% ($105,108) without adversely impacting the State's workers' compensation program.

III.

NAME & ADDRESS OF CONTRACTOR'S CURRENT PRINCIPAL OWNER(S)

Sedgwick Claims Management Services, Inc. is 100% owned by Sedgwick CMS Holdings, Inc. Sedgwick CMS Holdings, Inc. is 100% owned by Fidelity Sedgwick Corporation. Fidelity Sedgwick Corporation is 100% owned by Fidelity Sedgwick Holdings, Inc. Fidelity Sedgwick Holdings, Inc. is owned in part by four other entities; namely, Fidelity National Federal Corporation, Thomas H. Lee Partnership, Evercore Partners, and Dave North.

IV.

OFFICE FOR INFORMATION RESOURCES ENDORSEMENT

N/A

V.

EHEALTH INITIATIVE ENDORSEMENT

N/A

VI.

DEPARTMENT OF HUMAN RESOURCES ENDORSEMENT

N/A

VII.

DESCRIPTION OF PROCURING AGENCY EFFORTS TO IDENTIFY REASONABLE, COMPETITIVE, PROCUREMENT ALTERNATIVES

This contract resulted from a competitive bidding process. Specifically, the Treasury Department issued a request for proposals for the contractual services on April 14, 2008. The Contractor at issue was the successful proposer to perform the services. As stated in Item I above, this proposed contract amendment does not add any additional services. Instead, the amendment would lower the Contractor's fees by $105,108 for the period from July 1, 2010 through June 30, 2011 as a part of the Treasury Department's efforts in further reducing its budget for fiscal year 2011.

VIII.

JUSTIFICATION FOR THE PROPOSED NON-COMPETITIVE AMENDMENT

See Item II above.

If you have any questions or need any additional information, please do not hesitate to contact Mr. Steve Curry at 532-8045.

Supplemental Documentation Required for Fiscal Review Committee

*Contact Name:	Mary Roberts-Krause	*Contact Phone:	253-3855
*Original Contract Number:	FA-09-25329-00	*Original RFS Number:	309.01-121-09
Edison Contract Number: *(if applicable)*	3744	Edison RFS Number: *(if applicable)*	
*Original Contract Begin Date:	September 1, 2008	*Current End Date:	August 31, 2013

Current Request Amendment Number: *(if applicable)*	02
Proposed Amendment Effective Date: *(if applicable)*	July 1, 2010
*Department Submitting:	Treasury Department
*Division:	Division of Claims Administration
*Date Submitted:	January 14, 2010
*Submitted Within Sixty (60) days:	Yes
If not, explain:	N/A
*Contract Vendor Name:	Sedgwick Claims Management Services, Inc.
*Current Maximum Liability:	$5,761,598

*Current Contract Allocation by Fiscal Year:
(as Shown on Most Current Fully Executed Contract Summary Sheet)

FY: 2009	FY: 2010	FY: 2011	FY: 2012	FY: 2013	FY: 2014
$998,650	$968,078	$1,198,380	$1,198,380	$1,198,380	$199,730

*Current Total Expenditures by Fiscal Year of Contract:
(attach backup documentation from STARS or FDAS report)

FY: 2009	FY: 2010	FY: 2011	FY: 2012	FY: 2013	FY: 2014
$880,188.00	$403,365.85				

IF Contract Allocation has been greater than Contract Expenditures, please give the reasons and explain where surplus funds were spent:	Expenditures for fiscal year 2009 were less than the estimated allocation since the need for services covered under the contract are driven by the number and types of workers' compensation claims filed by State employees. The allocations were our best estimates based on workers' compensation claims history. Unspent funds were carried forward to the next fiscal year.
IF surplus funds have been carried forward, please give the reasons and provide the authority for the carry forward provision:	The Treasury Department has the authority to carry forward unspent funds on contracts whose compensation depends on the number of transactions or occurrences that occur during the contract term.
IF Contract Expenditures exceeded Contract Allocation, please give the	N/A

Supplemental Documentation Required for Fiscal Review Committee

reasons and explain how funding was acquired to pay the overage:				
*Contract Funding Source/Amount:	State:		Federal:	
Interdepartmental:		$5,761,598	*Other*:	
If "*other*" please define:				

Dates of All Previous Amendments or Revisions: *(if applicable)*	Brief Description of Actions in Previous Amendments or Revisions: *(if applicable)*
July 1, 2009	$82,500 reduction in the vendor's compensation for the period from July 1, 2009 through June 30, 2010.

Method of Original Award: *(if applicable)*	Request for Proposals (RFP)
*What were the projected costs of the service for the entire term of the contract prior to contract award?	It was a competitive procurement. The ultimate $5,761,598 cost was a reasonable projected cost for the entire contract term based on the State's workers' compensation claims history.

Supplemental Documentation Required for Fiscal Review Committee

For all new non-competitive contracts and any contract amendment that changes Sections A or C.3. of the original or previously amended contract document, provide estimates based on information provided the Department by the vendor for determination of contract maximum liability. Add rows as necessary to provide all information requested.

If it is determined that the question is not applicable to your contract document attach detailed explanation as to why that determination was made.

Planned expenditures by fiscal year by deliverable. Add rows as necessary to indicate all estimated contract expenditures.

Deliverable description:	FY:	FY:	FY:	FY:	FY:
See Section C.3 of the attached contract amendment.					

Proposed savings to be realized per fiscal year by entering into this contract. If amendment to an existing contract, please indicate the proposed savings to be realized by the amendment. Add rows as necessary to define all potential savings per deliverable.

Deliverable description:	FY: 2011	FY:	FY:	FY:	FY:
Reduction in total compensation otherwise payable under the contract.	$105,108				

Comparison of cost per fiscal year of obtaining this service through the proposed contract or amendment vs. other options. List other options available (including other vendors), cost of other options, and source of information for comparison of other options (e.g. catalog, Web site). Add rows as necessary to indicate price differentials between contract deliverables.

Proposed Vendor Cost: (name of vendor)	FY:	FY:	FY:	FY:	FY:
This contract was procured through the Request for Proposal process.					

Supplemental Documentation Required for Fiscal Review Committee

Other Vendor Cost: (name of vendor)	FY:	FY:	FY:	FY:	FY:
This contract was procured through the Request for Proposal process.					
Other Vendor Cost: (name of vendor)	FY:	FY:	FY:	FY:	FY:
This contract was procured through the Request for Proposal process.					

Sedgwick Claims Management Services

Contract Begin Date	9/1/2008
Contract End Date	8/31/2013

STARS Payments

Service Month	Fees Paid	FY09	FY10	FY11	FY12	FY13	FY14	Contract Total
Sep-08	103,260.00	103,260.00						
Oct-08	95,169.00	95,169.00						
Nov-08	72,778.00	72,778.00						
	271,207.00							

Edison Payments

Service Month	Fees Paid		
Dec-08	77,347.00	77,347.00	
Jan-09	83,865.00	83,865.00	
Feb-09	93,337.00	93,337.00	
Mar-09	85,672.00	85,672.00	
Apr-09	79,903.00	79,903.00	
May-09	86,446.00	86,446.00	
Jun-09	102,411.00	102,411.00	
Jul-09	80,673.17		80,673.17
Aug-09	80,673.17		80,673.17
Sep-09	80,673.17		80,673.17
Oct-09	80,673.17		80,673.17
Nov-09	80,673.17		80,673.17
	1,012,346.85	880,188.00	403,365.85
Total Payments For Contract	1,283,553.85		1,283,553.85

NON-COMPETITIVE AMENDMENT REQUEST:

APPROVED
Commissioner of Finance & Administration

1) RFS #	309.01-121-09
2) Procuring Agency :	Tennessee Treasury Department
EXISTING CONTRACT INFORMATON	
3) Service Caption :	The Contractor provides workers' compensation claims management services to the State. Such services include investigating and determining the compensability of workers' compensation claims filed against the State, and the processing and payment of medical bills related to approved workers' compensation claims.
4) Contractor :	Sedgwick Claims Management Services, Inc.
5) Contract #	FA-09-25329-00
6) Contract Start Date :	September 1, 2008
7) CURRENT Contract End Date : (if ALL options to extend the contract are exercised)	August 31, 2013
8) CURRENT Maximum Cost : (if ALL options to extend the contract are exercised)	$5,761,598
PROPOSED AMENDMENT INFORMATON	
9) Amendment #	02
10) Amendment Effective Date : (attached explanation required if < 60 days after F&A receipt)	July 1, 2010
11) PROPOSED Contract End Date : (if ALL options to extend the contract are exercised)	August 31, 2013
12) PROPOSED Maximum Cost : (if ALL options to extend the contract are exercised)	$5,261,598
13) Approval Criteria : (select one)	☒ use of Non-Competitive Negotiation is in the best interest of the state
	☐ only one uniquely qualified service provider able to provide the service

14) Description of the Proposed Amendment Effects & Any Additional Service :

This proposed contract amendment does not add any additional services. Instead, the amendment would lower the Contractor's fees by $105,108 for the period from July 1, 2010 through June 30, 2011.

15) Explanation of Need for the Proposed Amendment :

The proposed amendment does not add any additional services. Instead, the amendment would lower the Contractor's fees by $105,108 for the period from July 1, 2010 through June 30, 2011 as a part of the Treasury Department's efforts in further reducing its budget for fiscal year 2011. Under the current contract, fees are billed based on the number of workers' compensation claims filed by State employees each month. For the months of July and August 2010, the fee for medical only claims is $146 per claim and $837 per claim for lost time claims. For the months of September 2010 through June 2011, the fee for medical only claims is $150 per claim and $862 per claim for lost time claims. This proposed amendment would change the fee arrangement to a flat annual fee of $968,078 effective July

1, 2010 and ending on June 30, 2011 regardless of the number or type claims received. Based on an historical analysis of the State's workers' compensation claims volume, the anticipated claims volume for July 1, 2010 through June 30, 2011 would be 2,570 for medical only claims and 808 for lost time claims resulting in anticipated fees of approximately $1,073,186 under the current contractual fee arrangement. In exchange for the reduction in fees, the amendment would reduce the level of certain administrative functions currently being performed by the Contractor for the period from July 1, 2010 through June 30, 2011. Commencing July 1, 2011, the level of functions would revert back to their previous level. Specifically, the level of administrative functions that would be reduced are:

1. The monthly meetings between the State and the Contractor would be held by telephone conference call rather than at the State's facilities in Nashville. Quarterly meetings would continue to be held in person at the State's facilities.

2. The Contractor would no longer be required to have one of its claims adjusters to carry a pager at all times to personally answer telephone calls after business hours. Currently, at least one of the Contractor's claims adjusters must carry a pager or cell phone to answer calls after hours.

   The Contractor would still be required, at its own expense, to maintain a toll-free call center which is staffed 24 hours per day, 365 days per year to respond to inquiries from claimants and health care providers concerning the status of claims, medical bills, and panels of physicians. If a call is made to the Contractor after hours, the Contractor would advise the caller of the Contractor's normal office hours and provide the caller with information that will allow the caller to either leave a message or re-route the caller to the call center to have a supervisor paged should it be an emergency situation.

3. The maximum caseload for the Contractor's examiners who handles workers' compensation indemnity claims would change from 175 each in the state of Tennessee to 190 each in the state of Tennessee.

4. Under the current contract, the State requires the Contractor to meet or exceed four different file performance standards. If the Contractor does not meet or exceed the standards, the Contractor is required to refund to the State two percent (2%) of the total compensation earned by the Contractor for services rendered under the contract during the previous six-month period. One such standard is that eighty percent (80%) of lost time claims must be decided within fourteen (14) calendar days from the date received by the Contractor. This amendment would increase the allowable time period from fourteen (14) calendar days to twenty-one (21) calendar days. Another standard is that ninety-five percent (95%) of all lost time files must have 3 point contact (employee, employer, physician) within twenty-five (24) hours of receipt of the claim. This amendment would modify the forgoing by providing that ninety percent (90%) of all lost time files must have 3 point contact (employee, employer, physician) within 48 hours of receipt of the claim. The Contractor has never failed to meet any of the performance standards.

16) Name & Address of Contractor's Current Principal Owner(s) : (not required for a TN state education institution)

Sedgwick Claims Management Services, Inc. is 100% owned by Sedgwick CMS Holdings, Inc. Sedgwick CMS Holdings, Inc. is 100% owned by Fidelity Sedgwick Corporation. Fidelity Sedgwick Corporation is 100% owned by Fidelity Sedgwick Holdings, Inc. Fidelity Sedgwick Holdings, Inc. is owned in part by four other entities; namely, Fidelity National Federal Corporation, Thomas H. Lee Partnership, Evercore Partners, and Dave North.

17) Office for Information Resources Endorsement : (required for information technology service; n/a to THDA)

Documentation is ... ☒ **Not Applicable to this Request** ☐ **Attached to this Request**

18) eHealth Initiative Endorsement : (required for health-related professional, pharmaceutical, laboratory, or imaging service)

Documentation is ... ☒ **Not Applicable to this Request** ☐ **Attached to this Request**

19) Department of Human Resources Endorsement : (required for state employees training service)

Documentation is ... ☒ **Not Applicable to this Request** ☐ **Attached to this Request**

20) Description of Procuring Agency Efforts to Identify Reasonable, Competitive, Procurement Alternatives :

This contract resulted from a competitive bidding process. Specifically, the Treasury Department issued a request for proposals for the contractual services on April 14, 2008. The Contractor at issue was the successful proposer to perform the services. As stated in Item 14 above, this proposed contract amendment does not add any additional services. Instead, the amendment would lower the Contractor's fees by $105,108 for the period from July 1, 2010 through June 30, 2011 as a part of the Treasury Department's efforts in further reducing its budget for fiscal year 2011.

21) Justification for the Proposed Non-Competitive Amendment :

See Item 15 above.

AGENCY HEAD SIGNATURE & DATE :
(must be signed & dated by the ACTUAL procuring agency head as detailed on the Signature Certification on file with OCR— signature by an authorized signatory will be accepted only in documented exigent circumstances)

January 14, 2010

DAVID H. LILLARD, JR., STATE TREASURER **DATE**

CONTRACT AMENDMENT

Agency Tracking #	Edison ID	Contract #	Amendment #
30901-12109	3744	FA-09-25329-00	02

Sedgwick Claims Management Services, Inc.	Contractor Federal Employer Identification or Social Security # ☐ C- or ☒ V- 36-2685608

Amendment Purpose/ Effects

The amendment would lower the Contractor's fees by $105,108 for the period from July 1, 2010 through June 30, 2011.

Contract Begin Date	Contract End Date	Subrecipient or Vendor	CFDA #(s)
September 1, 2008	August 31, 2013	☐ Subrecipient ☒ Vendor	

FY	State	Federal	Interdepartmental	Other	TOTAL Contract Amount
2009			$ 998,650		$ 998,650
2010			$ 968,078		$ 968,078
2011			$698,380		$698,380
2012			$1,198,380		$1,198,380
2013			$1,198,380		$1,198,380
2014			$ 199,730		$ 199,730
TOTAL:			$5,261,598		$5,261,598

American Recovery and Reinvestment Act (ARRA) Funding – ☐ **YES** ☒ **NO**

— COMPLETE FOR AMENDMENTS —

END DATE AMENDED? ☐ YES ☒ NO

FY	Base Contract & Prior Amendments	THIS Amendment ONLY
2009	$ 998,650	$ 0.00
2010	$ 968,078	$ 0.00
2011	$1,198,380	($500,000)
2012	$1,198,380	$ 0.00
2013	$1,198,380	$ 0.00
2014	$ 199,730	$ 0.00
TOTAL:	$5,761,598	($500,000)

Agency Contact & Telephone #

Mary Roberts-Krause – 253-3855

Agency Budget Officer Approval (there is a balance in the appropriation from which this obligation is required to be paid that is not otherwise encumbered to pay obligations previously incurred)

Speed Code	Account Code

— OCR USE —	**Procurement Process Summary** (non-competitive, FA- or ED-type only)

AMENDMENT TWO
TO CONTRACT FA-09-25329-00
BETWEEN THE STATE OF TENNESSEE,
DEPARTMENT OF TREASURY
AND
SEDGWICK CLAIMS MANAGEMENT SERVICES, INC.

This Contract Amendment is made and entered by and between the State of Tennessee, Department of Treasury, hereinafter referred to as the "State" and Sedgwick Claims Management Services, Inc., hereinafter referred to as the "Contractor." It is mutually understood and agreed by and between said, undersigned contracting parties that the subject Contract is hereby amended as follows:

1. The text of Contract Section A.3.f.(1)(A) is deleted in its entirety and replaced with the following:

   "(A) Monthly. The Contractor shall meet with the State on a monthly basis to discuss such issues as strategies on open claims, reserve changes, upcoming hearings, general claims administration and other issues as determined by the State. Claim adjudication decisions subject to State approval shall also be discussed at these meetings. If a claim decision requiring State approval should not be delayed until the next monthly meeting, the Contractor shall so notify the State. Except for the months of July 2009 through, and including, June 2011, said monthly meetings shall be in person at the State's facilities in Nashville, Tennessee. For the months of July 2009 through, and including, June 2011, the monthly meetings shall be conducted by means of a telephone conference."

2. The text of Contract Section A.8.c. is deleted in its entirety and replaced with the following:

   "c. Emergency Service. The Contractor shall provide State employees and State service providers a twenty-four (24) hour emergency service system to assist in situations that need immediate attention. Except during the period from July 1, 2009 through June 30, 2011, such system shall require at least one (1) Contractor adjuster to carry a pager at all times. If a call is made to the Contractor after hours, the caller shall be advised of the Contractor's normal office hours and provided information that will allow the caller to either leave a message as provided for in subsection b of this Section above or have an adjuster paged should it be an emergency situation.

   During the period from July 1, 2009 through June 30, 2011, such system shall require the use of the Call Center, which is staffed 24 hours per day, 365 days per year. If a call is made to the Contractor after hours, the caller shall be advised of the Contractor's normal office hours and provided information that will allow the caller to either leave a message as provided for in subsection b of this Section above or re-route the caller to the Call Center to have a supervisor paged should it be an emergency situation.

   All calls received under this Section A.8.c. (whether received by an adjuster or the Call Center) shall be documented and, upon request, the State shall be provided information concerning each emergency call made. The information shall include the name of the caller, the time the call was made, when the call was returned, the reason of the call, and how the call was resolved."

3. The text of Contract Section A.9. is deleted in its entirety and replaced with the following:

   "A.9. Offices and Personnel. The Contractor shall maintain at least one (1) claims management office in Tennessee. Notwithstanding the number of offices maintained by the Contractor in Tennessee, the Contractor agrees to travel to any place deemed necessary by the Contractor to perform the services outlined herein and to maintain sufficient personnel to enable the Contractor to fulfill its responsibilities under this Contract. Notwithstanding page 22 of the Contractor's Proposal, the Contractor agrees that during the period from July 1, 2009 through June 30, 2011 the Contractor's examiners who handle workers' compensation indemnity claims shall have caseloads of no more than 190 each in the state of Tennessee. For all other periods during the term of this Contract, such examiners shall have caseloads of no more than 175 each in the state of Tennessee as provided for on page 22 of the Contractor's proposal."

4. The text of Contract Section A.14.a. is deleted in its entirety and replaced with the following:

"A.14. Performance Standards.

a. Standards. The Contractor agrees that the following performance standards shall be met or exceeded:

(1) Except during the period from July 1, 2009 through June 30, 2011, eighty percent (80%) of lost time claims shall be decided within fourteen (14) calendar days from the date received by the Contractor. During the period from July 1, 2009 through June 30, 2011, eighty percent (80%) of lost time claims shall be decided within twenty-one (21) calendar days from the date received by the Contractor;

(2) Ninety-nine percent (99%) of all medical payments shall have a medical bill in the file to document the charge for which payment was made;

(3) Ninety-five percent (95%) of all lost time files shall contain a copy of the notice of termination of lost time benefits which was sent to the injured employee's department/agency; and

(4) Except during the period from July 1, 2009 through June 30, 2011, ninety-five percent (95%) of all lost time files must have 3 point contact (employee, employer, physician) within 24 hours of receipt of the claim. During the period from July 1, 2009 through June 30, 2011, ninety percent (90%) of all lost time files must have 3 point contact (employee, employer, physician) within 48 hours of receipt of the claim."

5. The text of Contract Section C.1. is deleted in its entirety and replaced with the following:

"C.1. Maximum Liability. In no event shall the maximum liability of the State under this Contract exceed five million two hundred sixty-one thousand five hundred ninety-eight dollars ($5,261,598). The payment rates in Section C.3 shall constitute the entire compensation due the Contractor for the Service and all of the Contractor's obligations hereunder regardless of the difficulty, materials or equipment required. The payment rates include, but are not limited to, all applicable taxes, fees, overheads, and all other direct and indirect costs incurred or to be incurred by the Contractor.

The Contractor is not entitled to be paid the maximum liability for any period under the Contract or any extensions of the Contract for work not requested by the State. The maximum liability represents available funds for payment to the Contractor and does not guarantee payment of any such funds to the Contractor under this Contract unless the State requests work and the Contractor performs said work. In which case, the Contractor shall be paid in accordance with the payment rates detailed in Section C.3. The State is under no obligation to request work from the Contractor in any specific dollar amounts or to request any work at all from the Contractor during any period of this Contract."

6. The text of Contract Section C.3.b. is deleted in its entirety and replaced with the following:

"a. The Contractor shall be compensated for said units, milestones, or increments of service based upon the following payment rates:

SERVICE DESCRIPTION	**Amount** (per compensable increment)					
	September 1, 2008 – June 30, 2009	July 1, 2009 – June 30, 2010	July 1, 2010 – June 30, 2011	July 1, 2011 – August 31, 2011	September 1, 2011 – August 31, 2012	September 1, 2012 – August 31, 2013

For all services set forth in Sections A.1 through A.14 of this Contract for Medical Only Claims	$142.00 per claim assigned during above period	$338,827 flat annual rate (payable in monthly installments)	$338,827 flat annual rate (payable in monthly installments)	$150.00 per claim assigned during above period	$155.00 per claim assigned during above period	$160.00 per claim assigned during above period
For all services set forth in Sections A.1 through A.14 of this Contract for Lost Time Claims	$813.00 per claim assigned during above period	$629,251 flat annual rate (payable in monthly installments)	$629,251 flat annual rate (payable in monthly installments)	$862.00 per claim assigned during above period	$888.00 per claim assigned during above period	$915.00 per claim assigned during above period
For all services set forth in Sections A.1 through A.14 of this Contract for the Assumption of Take-Over Claims (Medical Only) *Note: Assumption of Take-Over Claims will be for the first year only*	$00.00 per claim assigned	N/A	N/A	N/A	N/A	N/A
For all services set forth in Sections A.1 through A.14 of this Contract for the Assumption of Take-Over Claims (Lost Time) *Note: Assumption of Take-Over Claims will be for the first year only*	$00.00 per claim assigned	N/A	N/A	N/A	N/A	N/A

The services set forth in Sections A.15 through A.16 of this Contract shall be provided by the Contractor at no additional cost to the State."

The revisions set forth herein shall be effective July 1, 2010. All other terms and conditions not expressly amended herein shall remain in full force and effect.

IN WITNESS WHEREOF,

SEDGWICK CLAIMS MANAGEMENT SERVICES, INC.:

CONTRACTOR SIGNATURE **DATE**

PRINTED NAME AND TITLE OF CONTRACTOR SIGNATORY (above)

TREASURY DEPARTMENT:

DAVID H. LILLARD, JR., STATE TREASURER **DATE**

Leni Chick

From: Leni Chick
Sent: Wednesday, July 08, 2009 12:13 PM
To: 'Dave Goetz'; 'Robert Barlow'; 'Mary.Anne Queen'
Cc: 'Ben Riley'; 'Darla Powell'; 'Eugene Neubert'; 'Glenda Case'; 'Jim Shulman'; 'Lori Yopp'; 'Ricky Frazier'; 'Susan Cooper, Commissioner'; 'Terrie Nelson'; 'Alma Chilton'; 'Betty Boner '; 'Cris McCoy'; 'Darin Gordon'; 'Keith Gaither'; 'Kimberly Hagan'; 'Mary Roberts-Krause'; 'Steve Curry'; 'Andrea White'; 'Laurie Lee'; 'Marlene Alvarez'; 'Mike Morrow'; 'Bruce Opie, Legislative Liason'; 'Kristen McKeever'; 'Randy Carroll'; 'Robert Greene'; 'Tim Webb, Commissioner'; 'Bo Irvin'; 'Emily Wilson'; 'Gary Tullock'; 'Jackie Baker'; 'Priscilla Wainwright'
Subject: Action of the Fiscal Review Committee regarding June 22, 2009 meeting

Commissioner:

This message is to confirm that the Fiscal Review Committee formally adopted the comments of the Committee members present at the June 22, 2009, meeting on all contracts heard at that meeting. The memorandum that you previously received now reflects the official action of the Committee.

If you have any questions or need additional information, please let me know. Thank you, Leni

Leni S. Chick
Contract & Audit Coordinator
Fiscal Review Committee
8th Floor, Rachel Jackson Building
320 Sixth Avenue, North
Nashville, Tennessee 37243
(615) 253-2048 (phone)
(615) 253-0318 (fax)
leni.chick@legislature.state.tn.us or leni.chick@capitol.tn.gov

GENERAL ASSEMBLY OF THE STATE OF TENNESSEE
FISCAL REVIEW COMMITTEE

320 Sixth Avenue, North – 8th Floor
NASHVILLE, TENNESSEE 37243-0057
615-741-2564

Sen. Bill Ketron, Chairman
Senators
Douglas Henry — Reginald Tate
Doug Jackson — Ken Yager
Paul Stanley
Randy McNally, *ex officio*
Lt. Governor Ron Ramsey, *ex officio*

Rep. Charles Curtiss, Vice-Chairman
Representatives
Harry Brooks — Donna Rowland
Curtis Johnson — Tony Shipley
Steve McManus — Curry Todd
Mary Pruitt — Eddie Yokley
Craig Fitzhugh, *ex officio*
Speaker Kent Williams, *ex officio*

MEMORANDUM

TO: The Honorable Dave Goetz, Commissioner
Department of Finance and Administration

FROM: Bill Ketron, Chairman, Fiscal Review Committee
Charles Curtiss, Vice-Chairman, Fiscal Review Committee

BK
CC

DATE: June 23, 2009

SUBJECT: **Contract Comments**
(Fiscal Review Committee Meeting 6/22/09)

RFS# 309.01-121
Department: Treasury
Contractor: Sedgwick Claims Management Services, Inc.
Summary: The vendor is currently responsible for the provision of workers' compensation management services, including but not limited to, investigation and determination of workers' compensation claims filed against the State. The proposed amendment reduces the contractor's fees by eight percent ($82,500) for FY09-10 and reduces the maximum liability by $230,302.
Maximum liability: $5,991,900
Maximum liability w/amendment: $5,761,598

After review, the Fiscal Review Committee members present unanimously recommended approval of the contract amendment. The Committee did not formally adopt the recommendation due to absence of a quorum. The recommendation will be presented for ratification at the next Committee meeting.

cc: The Honorable David Lillard, State Treasurer
Mr. Robert Barlow, Director, Office of Contracts Review

STATE OF TENNESSEE

DAVID H. LILLARD, JR.
STATE TREASURER

JANICE CUNNINGHAM
EXECUTIVE ASSISTANT

TREASURY DEPARTMENT
STATE CAPITOL
NASHVILLE, TENNESSEE 37243-0225

RECEIVED
JUN 10 2009
FISCAL REVIEW

MEMORANDUM

TO: The Honorable M. D. Goetz, Jr., Commissioner
Department of Finance and Administration

FROM: David H. Lillard, Jr., Treasurer
Department of the Treasury

DATE: June 9, 2009

RE: ***Memorandum of Explanation for Submitting Noncompetitive Contract Amendment Request Less Than Sixty (60) Days Prior to Amendment Start Date: Workers' Compensation Claims Management Services Contract Between the Tennessee Treasury Department and Sedgwick Claims Management Services, Inc.***

The Tennessee Treasury Department is responsible for administering the State's workers' compensation program made available to employees of the State of Tennessee in accordance with Tennessee's general workers' compensation laws. Goals of the program include: (1) ensuring that injured State workers throughout the State have reasonable access to and receive prompt, appropriate treatments and levels of care from the health care community during their recovery from their injury; (2) providing lost time benefits, which represent salary replacement payments, to injured State workers on a biweekly basis to minimize the financial consequences of their injury; (3) payment of permanent disability benefits; and (4) assisting injured State workers in returning to work at the earliest point possible, consistent with their injury and treatment plan.

To meet these goals, the Treasury Department has been contracting with a third party administrator (TPA) since September 1993 for the delivery of these workers' compensation benefit services. The TPA serves as the focal point of service delivery and is responsible for investigating all workers' compensation claims filed by injured workers and for making determinations as to the compensability of accidents, subject to the Department's oversight. The State's current TPA is Sedgwick Claims Management

Services, Inc. The contract with Sedgwick was procured through a request for proposal that was issued on April 14, 2008. The term of the contract is from September 1, 2008 through August 31, 2013.

Tennessee, like many states, is facing a substantial revenue shortfall this year. As a result, the Treasury Department has been actively seeking ways to reduce its budget this year. As a part of its efforts, the Department approached Sedgwick and requested it to analyze options to reduce administrative costs to the State under the contract by 8% for this next fiscal year, i.e., from July 1, 2009 through June 30, 2010. The 8% reduction would save the State $82,500 based on anticipated workers' compensation claim volumes for fiscal year 2010.

Sedgwick provided the Department with a proposed option that included nine reductions in the level of services currently being performed by Sedgwick. After analyzing the proposed option, the Department would not agree to several of the proposed reductions. After exchanging a series of proposals and counter proposals, the Department and Sedgwick agreed to four reductions that relate to the level of administrative functions currently being performed by Sedgwick.

Consequently, the timing of this request was delayed due to the nature of negotiations between our Department and Sedgwick, which were necessary in order to obtain the desired $82,500 reduction. While the timing of this request is unfortunate, the Department believes the fee reduction will aid in reducing the Department's budget this year without adversely impacting injured State workers in the long run.

If you have any questions or need any additional information, please do not hesitate to contact Steve Curry at 532-8045.

Supplemental Documentation Required for Fiscal Review Committee

*Contact Name:	Mary Krause	*Contact Phone:	253-3855
*Contract Number:	FA-09-25329-00	*RFS Number:	309.01-121-09
*Original Contract Begin Date:	September 1, 2008	*Current End Date:	August 31, 2013
Current Request Amendment Number: *(if applicable)*		01	
Proposed Amendment Effective Date: *(if applicable)*		July 1, 2009	
*Department Submitting:		Tennessee Treasury Department	
*Division:		Division of Claims Administration	
*Date Submitted:		June 9, 2009	
*Submitted Within Sixty (60) days:		No.	
If not, explain:		The Tennessee Treasury Department is responsible for administering the State's workers' compensation program made available to employees of the State of Tennessee in accordance with Tennessee's general workers' compensation laws. Goals of the program include: (1) ensuring that injured State workers throughout the State have reasonable access to and receive prompt, appropriate treatments and levels of care from the health care community during their recovery from their injury; (2) providing lost time benefits, which represent salary replacement payments, to injured State workers on a biweekly basis to minimize the financial consequences of their injury; (3) payment of permanent disability benefits; and (4) assisting injured State workers in returning to work at the earliest point possible, consistent with their injury and treatment plan. To meet these goals, the Treasury Department has been contracting with a third party administrator (TPA) since September 1993 for the delivery of these workers' compensation benefit services. The TPA serves as the focal point of service delivery and is responsible for investigating all workers' compensation	

Supplemental Documentation Required for Fiscal Review Committee

claims filed by injured workers and for making determinations as to the compensability of accidents, subject to the Department's oversight. The State's current TPA is Sedgwick Claims Management Services, Inc. The contract with Sedgwick was procured through a request for proposal that was issued on April 14, 2008. The term of the contract is from September 1, 2008 through August 31, 2013.

Tennessee, like many states, is facing a substantial revenue shortfall this year. As a result, the Treasury Department has been actively seeking ways to reduce its budget this year. As a part of its efforts, the Department approached Sedgwick and requested it to analyze options to reduce administrative costs to the State under the contract by 8% for this next fiscal year, i.e., from July 1, 2009 through June 30, 2010. The 8% reduction would save the State $82,500 based on anticipated workers' compensation claim volumes for fiscal year 2010.

Sedgwick provided the Department with a proposed option that included nine reductions in the level of services currently being performed by Sedgwick. After analyzing the proposed option, the Department would not agree to several of the proposed reductions. After exchanging a series of proposals and counter proposals, the Department and Sedgwick agreed to four reductions that relate to the level of administrative functions currently being performed by Sedgwick.

Consequently, the timing of this request was delayed due to the nature of negotiations between our Department and Sedgwick, which were necessary in order to obtain the desired $82,500 reduction.

Supplemental Documentation Required for Fiscal Review Committee

	While the timing of this request is unfortunate, the Department believes the fee reduction will aid in reducing the Department's budget this year without adversely impacting injured State workers in the long run.
*Contract Vendor Name:	Sedgwick Claims Management Services, Inc.
*Current Maximum Liability:	$5,991,900

*Current Contract Allocation by Fiscal Year:
(as Shown on Most Current Fully Executed Contract Summary Sheet)

FY: 2009	FY: 2010	FY: 2011	FY: 2012	FY: 2013	FY: 2014
$ 998,650	$1,198,380	$1,198,380	$1,198,380	$1,198,380	$199,730

*Current Total Expenditures by Fiscal Year of Contract:
(attach backup documentation from STARS or FDAS report)

FY: 2009	FY: 2010	FY: 2011	FY: 2012	FY: 2013	FY: 2014
$691,331	N/A	N/A	N/A	N/A	N/A

IF Contract Allocation has been greater than Contract Expenditures, please give the reasons and explain where surplus funds were spent:	N/A
IF surplus funds have been carried forward, please give the reasons and provide the authority for the carry forward provision:	N/A
IF Contract Expenditures exceeded Contract Allocation, please give the reasons and explain how funding was acquired to pay the overage:	N/A

*Contract Funding Source/Amount:	State:	$5,991,900	Federal:	N/A
Interdepartmental:	N/A		*Other*:	N/A
If "*other*" please define:			N/A	

Dates of All Previous Amendments or Revisions: (*if applicable*)	Brief Description of Actions in Previous Amendments or Revisions: (*if applicable*)
N/A	N/A

Method of Original Award: (*if applicable*)	RFP
Include a detailed breakdown of the actual expenditures anticipated in each	N/A

Supplemental Documentation Required for Fiscal Review Committee

year of the contract. Include specific line items, source of funding, and disposition of any excess fund. *(if applicable)*	
Include a detailed breakdown, in dollars, of any savings that the department anticipates will result from this contract. Include, at a minimum, reduction in positions, reduction in equipment costs, reduction in travel. *(if applicable)*	N/A
Include a detailed analysis, in dollars, of the cost of obtaining this service through the proposed contract as compared to other options. *(if applicable)*	N/A

Sedgwick Expenditures for FY 2009

Expenditures from STARS

REPORT FILTER:

({Effective Year} = 2009) And (Fund = 12:INTERNAL SERVICE FUND) And ({Fund Detail} =

Effective Month	Expenditures
OCTOBER 2008	103,260.00
NOVEMBER 2008	95,169.00
DECEMBER 2008	72,778.00
Total	**$271,207**

Expenditures from Edison

Jan-09	77,347.00	2/27/2009	Paid	8002
Feb-09	83,865.00	3/4/2009	Paid	9721
Mar-09	93,337.00	3/19/2009	Paid	13629
Apr-09	85,672.00	5/1/2009	Paid	27550
May-09	79,903.00	6/1/2009	Paid	40807

Total	**$ 420,124.00**

Total Expenditures for FY2009	**$ 691,331.00**

NON-AMD123008

NON-COMPETITIVE AMENDMENT REQUEST:

APPROVED	RECEIVED JUN 10 2009 FISCAL REVIEW
Commissioner of Finance & Administration	

1) **RFS #**	309.01-121-09
2) **Procuring Agency :**	Tennessee Treasury Department
EXISTING CONTRACT INFORMATON	
3) **Service Caption :**	The Contractor provides workers' compensation claims management services to the State. Such services include investigating and determining the compensability of workers' compensation claims filed against the State, and the processing and payment of medical bills related to approved workers' compensation claims.
4) **Contractor :**	Sedgwick Claims Management Services, Inc.
5) **Contract #**	FA-09-25329-00
6) **Contract Start Date :**	September 1, 2008
7) **CURRENT Contract End Date :** (if ALL options to extend the contract are exercised)	August 31, 2013
8) **CURRENT Maximum Cost :** (if ALL options to extend the contract are exercised)	$5,991,900
PROPOSED AMENDMENT INFORMATON	
9) **Amendment #**	01
10) **Amendment Effective Date :** (attached explanation required if < 60 days after F&A receipt)	July 1, 2009
11) **PROPOSED Contract End Date :** (if ALL options to extend the contract are exercised)	August 31, 2013
12) **PROPOSED Maximum Cost :** (if ALL options to extend the contract are exercised)	$5,761,598
13) **Approval Criteria :** (select one)	☒ **use of Non-Competitive Negotiation is in the best interest of the state**
	☐ **only one uniquely qualified service provider able to provide the service**

14) Description of the Proposed Amendment Effects & Any Additional Service :

The proposed amendment does not add any additional services. Instead, the amendment would lower the Contractor's fees by $82,500 for the period from July 1, 2009 through June 30, 2010 as a part of the Treasury Department's efforts in further reducing its budget for fiscal year 2010. Under the current contract, fees are billed based on the number of workers' compensation claims filed by State employees each month. For the months of July and August 2009, the fee for medical only claims is $142 per claim and $813 per claim for lost time claims. For the months of September 2009 through June 2010, the fee for medical only claims is $146 per claim and $837 per claim for lost time claims. This proposed amendment would change the fee arrangement to a flat annual fee of $968,078 effective July 1, 2009 and ending on June 30, 2010 regardless of the number or type claims received. Based on an historical analysis of the State's workers' compensation claims volume, the anticipated claims volume for July 1, 2009 through June 30, 2010 would be 2,570 for medical only claims and 808 for lost time claims resulting in anticipated fees of approximately $1,050,578 under the current contractual fee arrangement. In exchange for the reduction in fees, the amendment would reduce the level of certain administrative functions currently being performed by the Contractor for the period

from July 1, 2009 through June 30, 2010. Commencing July 1, 2010, the level of functions would revert back to their previous level. Specifically, the level of administrative functions that would be reduced are:

1. The monthly meetings between the State and the Contractor would be held by telephone conference call rather than at the State's facilities in Nashville. Quarterly meetings would continue to be held in person at the State's facilities.
2. The Contractor would no longer be required to have one of its claims adjusters to carry a pager at all times to personally answer telephone calls after business hours. Currently, at least one of the Contractor's claims adjusters must carry a pager or cell phone to answer calls after hours.

   The Contractor would still be required, at its own expense, to maintain a toll-free call center which is staffed 24 hours per day, 365 days per year to respond to inquiries from claimants and health care providers concerning the status of claims, medical bills, and panels of physicians. If a call is made to the Contractor after hours, the Contractor would advise the caller of the Contractor's normal office hours and provide the caller with information that will allow the caller to either leave a message or re-route the caller to the call center to have a supervisor paged should it be an emergency situation.

3. The maximum caseload for the Contractor's examiners who handles workers' compensation indemnity claims would change from 175 each in the state of Tennessee to 190 each in the state of Tennessee.

4. Under the current contract, the State requires the Contractor to meet or exceed four different file performance standards. If the Contractor does not meet or exceed the standards, the Contractor is required to refund to the State two percent (2%) of the total compensation earned by the Contractor for services rendered under the contract during the previous six-month period. One such standard is that eighty percent (80%) of lost time claims must be decided within fourteen (14) calendar days from the date received by the Contractor. This amendment would increase the allowable time period from fourteen (14) calendar days to twenty-one (21) calendar days. Another standard is that ninety-five percent (95%) of all lost time files must have 3 point contact (employee, employer, physician) within twenty-five (24) hours of receipt of the claim. This amendment would modify the forgoing by providing that ninety percent (90%) of all lost time files must have 3 point contact (employee, employer, physician) within 48 hours of receipt of the claim. The Contractor has never failed to meet any of the performance standards.

15) Explanation of Need for the Proposed Amendment :

Tennessee, like many states, faces a substantial revenue shortfall this year. As a result, the Treasury Department is actively seeking ways to reduce its budget this year. As a part of its efforts, the Department approached the Contractor and requested it analyze options to reduce administrative costs to the State by 8%. This amendment would reduce the Contractor' fees by 8% ($82,500) without adversely impacting the State's workers' compensation program.

16) Name & Address of Contractor's Current Principal Owner(s) : (not required for a TN state education institution)

Sedgwick Claims Management Services, Inc. is 100% owned by Sedgwick CMS Holdings, Inc. Sedgwick CMS Holdings, Inc. is 100% owned by Fidelity Sedgwick Corporation. Fidelity Sedgwick Corporation is 100% owned by Fidelity Sedgwick Holdings, Inc. Fidelity Sedgwick Holdings, Inc. is owned in part by four other entities; namely, Fidelity National Federal Corporation, Thomas H. Lee Partnership, Evercore Partners, and Dave North.

17) Office for Information Resources Endorsement : (required for information technology service; n/a to THDA)

Documentation is ... ☒ **Not Applicable to this Request** ☐ **Attached to this Request**

18) eHealth Initiative Endorsement : (required for health-related professional, pharmaceutical, laboratory, or imaging service)

Documentation is ... ☒ **Not Applicable to this Request** ☐ **Attached to this Request**

19) Department of Human Resources Endorsement : (required for state employees training service)

Documentation is ... ☒ **Not Applicable to this Request** ☐ **Attached to this Request**

20) Description of Procuring Agency Efforts to Identify Reasonable, Competitive, Procurement Alternatives :

This contract resulted from a competitive bidding process. Specifically, the Treasury Department issued a request for proposals for the contractual services on April 14, 2008. The Contractor at issue was the successful proposer to perform the services. As stated in Item 14 above, this proposed contract amendment does not add any additional services. Instead, the amendment would lower the Contractor's fees by $82,500 for the period from July 1, 2009 through June 30, 2010 as a part of the Treasury Department's efforts in further reducing its budget for fiscal year 2010.

21) Justification for the Proposed Non-Competitive Amendment :

See Item 15 above.

AGENCY HEAD SIGNATURE & DATE :
(must be signed & dated by the ACTUAL procuring agency head as detailed on the Signature Certification on file with OCR— signature by an authorized signatory will be accepted only in documented exigent circumstances)

June 9, 2009

DAVID H. LILLARD, JR., STATE TREASURER **DATE**

STATE OF TENNESSEE

DAVID H. LILLARD, JR.
STATE TREASURER

JANICE CUNNINGHAM
EXECUTIVE ASSISTANT

TREASURY DEPARTMENT
STATE CAPITOL
NASHVILLE, TENNESSEE 37243-0225

MEMORANDUM

TO: The Honorable M. D. Goetz, Jr., Commissioner
Department of Finance and Administration

FROM: David H. Lillard, Jr., Treasurer
Department of the Treasury

DATE: June 9, 2009

RE: ***Non-competitive Amendment Request: Workers' Compensation Claims Management Services Contract Between the Tennessee Treasury Department and Sedgwick Claims Management Services, Inc.***

BACKGROUND

The Tennessee Treasury Department is responsible for administering the State's workers' compensation program made available to employees of the State of Tennessee in accordance with Tennessee's general workers' compensation laws. Goals of the program include: (1) ensuring that injured State workers throughout the State have reasonable access to and receive prompt, appropriate treatments and levels of care from the health care community during their recovery from their injury; (2) providing lost time benefits, which represent salary replacement payments, to injured State workers on a biweekly basis to minimize the financial consequences of their injury; (3) payment of permanent disability benefits; and (4) assisting injured State workers in returning to work at the earliest point possible, consistent with their injury and treatment plan.

To meet these goals, the Treasury Department has been contracting with a third party administrator (TPA) since September 1993 for the delivery of these workers' compensation benefit services. The TPA serves as the focal point of service delivery and is responsible for investigating all workers' compensation claims filed by injured workers and for making determinations as to the compensability of accidents, subject to the

Department's oversight. The State's current TPA is Sedgwick Claims Management Services, Inc. The contract with Sedgwick was procured through a request for proposal that was issued on April 14, 2008. The term of the contract is from September 1, 2008 through August 31, 2013.

Tennessee, like many states, is facing a substantial revenue shortfall this year. As a result, the Treasury Department has been actively seeking ways to reduce its budget this year. As a part of its efforts, the Department approached Sedgwick and requested it to analyze options to reduce administrative costs to the State under the contract by 8% for this next fiscal year, i.e., from July 1, 2009 through June 30, 2010. The 8% reduction would save the State $82,500 based on anticipated workers' compensation claim volumes for fiscal year 2010.

I.

DESCRIPTION OF THE PROPOSED AMENDMENT EFFECTS & ANY ADDITIONAL SERVICE

The proposed amendment does not add any additional services. Instead, the amendment would lower the Contractor's fees by $82,500 for the period from July 1, 2009 through June 30, 2010 as a part of the Treasury Department's efforts in further reducing its budget for fiscal year 2010. Under the current contract, fees are billed based on the number of workers' compensation claims filed by State employees each month. For the months of July and August 2009, the fee for medical only claims is $142 per claim and $813 per claim for lost time claims. For the months of September 2009 through June 2010, the fee for medical only claims is $146 per claim and $837 per claim for lost time claims. This proposed amendment would change the fee arrangement to a flat annual fee of $968,078 effective July 1, 2009 and ending on June 30, 2010 regardless of the number or type claims received. Based on an historical analysis of the State's workers' compensation claims volume, the anticipated claims volume for July 1, 2009 through June 30, 2010 would be 2,570 for medical only claims and 808 for lost time claims resulting in anticipated fees of approximately $1,050,578 under the current contractual fee arrangement. In exchange for the reduction in fees, the amendment would reduce the level of certain administrative functions currently being performed by the Contractor for the period from July 1, 2009 through June 30, 2010. Commencing July 1, 2010, the level of functions would revert back to their previous level. Specifically, the level of administrative functions that would be reduced are:

1. The monthly meetings between the State and the Contractor would be held by telephone conference call rather than at the State's facilities in Nashville. Quarterly meetings would continue to be held in person at the State's facilities.

2. The Contractor would no longer be required to have one of its claims adjusters to carry a pager at all times to personally answer telephone calls after business hours. Currently, at least one of the Contractor's claims adjusters must carry a pager or cell phone to answer calls after hours.

The Contractor would still be required, at its own expense, to maintain a toll-free call center which is staffed 24 hours per day, 365 days per year to respond to inquiries from claimants and health care providers concerning the status of claims, medical bills, and panels of physicians. If a call is made to the Contractor after hours, the Contractor would advise the caller of the Contractor's normal office hours and provide the caller with information that will allow the caller to either leave a message or re-route the caller to the call center to have a supervisor paged should it be an emergency situation.

3. The maximum caseload for the Contractor's examiners who handles workers' compensation indemnity claims would change from 175 each in the state of Tennessee to 190 each in the state of Tennessee.

4. Under the current contract, the State requires the Contractor to meet or exceed four different file performance standards. If the Contractor does not meet or exceed the standards, the Contractor is required to refund to the State two percent (2%) of the total compensation earned by the Contractor for services rendered under the contract during the previous six-month period. One such standard is that eighty percent (80%) of lost time claims must be decided within fourteen (14) calendar days from the date received by the Contractor. This amendment would increase the allowable time period from fourteen (14) calendar days to twenty-one (21) calendar days. Another standard is that ninety-five percent (95%) of all lost time files must have 3 point contact (employee, employer, physician) within twenty-five (24) hours of receipt of the claim. This amendment would modify the forgoing by providing that ninety percent (90%) of all lost time files must have 3 point contact (employee, employer, physician) within 48 hours of receipt of the claim. The Contractor has never failed to meet any of the performance standards.

II.

EXPLANATION OF NEED FOR THE PROPOSED AMENDMENT

Tennessee, like many states, faces a substantial revenue shortfall this year. As a result, the Treasury Department is actively seeking ways to reduce its budget this year. As a part of its efforts, the Department approached the Contractor and requested it analyze options to reduce administrative costs to the State by 8%. This amendment would reduce the Contractor' fees by 8% ($82,500) without adversely impacting the State's workers' compensation program.

III.

NAME & ADDRESS OF CONTRACTOR'S CURRENT PRINCIPAL OWNER(S)

Sedgwick Claims Management Services, Inc. is 100% owned by Sedgwick CMS Holdings, Inc. Sedgwick CMS Holdings, Inc. is 100% owned by Fidelity Sedgwick Corporation. Fidelity Sedgwick Corporation is 100% owned by Fidelity Sedgwick

Holdings, Inc. Fidelity Sedgwick Holdings, Inc. is owned in part by four other entities; namely, Fidelity National Federal Corporation, Thomas H. Lee Partnership, Evercore Partners, and Dave North.

IV.

OFFICE FOR INFORMATION RESOURCES ENDORSEMENT

N/A

V.

EHEALTH INITIATIVE ENDORSEMENT

N/A

VI.

DEPARTMENT OF HUMAN RESOURCES ENDORSEMENT

N/A

VII.

DESCRIPTION OF PROCURING AGENCY EFFORTS TO IDENTIFY REASONABLE, COMPETITIVE, PROCUREMENT ALTERNATIVES

This contract resulted from a competitive bidding process. Specifically, the Treasury Department issued a request for proposals for the contractual services on April 14, 2008. The Contractor at issue was the successful proposer to perform the services. As stated in Item I above, this proposed contract amendment does not add any additional services. Instead, the amendment would lower the Contractor's fees by $82,500 for the period from July 1, 2009 through June 30, 2010 as a part of the Treasury Department's efforts in further reducing its budget for fiscal year 2010.

VIII.

JUSTIFICATION FOR THE PROPOSED NON-COMPETITIVE AMENDMENT

See Item II above.

If you have any questions or need any additional information, please do not hesitate to contact Mr. Steve Curry at 532-8045.

CONTRACT SUMMARY SHEET

021908

RFS #	Contract #
309.01 —121—09 3744	FA-09-25329-01
State Agency	**State Agency Division**
Tennessee Treasury Department	Division of Claims Administration
Contractor Name	**Contractor ID # (FEIN or SSN)**
Sedgwick Claims Management Services, Inc.	☐ C- or ☒ V- 36-2685608

Service Description

The Contractor provides workers' compensation claims management services to the State. Such services include investigating and determining the compensability of workers' compensation claims filed against the State, and the processing and payment of medical bills related to approved workers' compensation claims.

Contract Begin Date	Contract End Date	SUBRECIPIENT or VENDOR?	CFDA #
September 1, 2008	August 31, 2013	Vendor	

Mark Each TRUE Statement

☒ **Contractor is on STARS** ☒ **Contractor's Form W-9 is on file in Accounts**

Allotment Code	Cost Center	Object Code	Fund	Funding Grant Code	Funding Subgrant Code
313.10	48	083	12		

FY	State	Federal	Interdepartmental	Other	TOTAL Contract Amount
2009	$ 998,650				$ 998,650
2010	$ 968,078				$ 968,078
2011	$1,198,380				$1,198,380
2012	$1,198,380				$1,198,380
2013	$1,198,380				$1,198,380
2014	$ 199,730				$ 199,730
TOTAL:	$5,761,598				$5,761,598

RECEIVED
JUL 27 2009
FISCAL REVIEW

— COMPLETE FOR AMENDMENTS ONLY —

FY	Base Contract & Prior Amendments	THIS Amendment ONLY
2009	$ 998,650	$ 0.00
2010	$1,198,380	($230,302)
2011	$1,198,380	$ 0.00
2012	$1,198,380	$ 0.00
2013	$1,198,380	$ 0.00
2014	$ 199,730	$ 0.00
TOTAL:	$5,991,900	($230,302)
End Date:	August 31, 2013	August 31, 2013

State Agency Fiscal Contact & Telephone #

Mary Roberts-Krause, General Counsel
10th Floor, Andrew Jackson Building
(615) 253-3855

State Agency Budget Officer Approval

Mary Roberts Krause

Funding Certification (certification, required by T.C.A., § 9-4-5113, that there is a balance in the appropriation from which the obligated expenditure is required to be paid that is not otherwise encumbered to pay obligations previously incurred)

Contractor Ownership (complete for ALL base contracts— N/A to amendments or delegated authorities)

☐ African American ☐ Person w/ Disability ☐ Hispanic ☐ Small Business ☐ Government
☐ Asian ☐ Female ☐ Native American ☒ NOT Minority/Disadvantaged ☐ Other

Contractor Selection Method (complete for ALL base contracts— N/A to amendments or delegated authorities)

☐ RFP ☐ Competitive Negotiation * ☐ Alternative Competitive Method *
☐ Non-Competitive Negotiation * ☐ Negotiation w/ Government (ID, GG, GU) ☐ Other *

AMENDMENT ONE
TO CONTRACT FA-09-25329-00
BETWEEN THE STATE OF TENNESSEE,
DEPARTMENT OF TREASURY
AND
SEDGWICK CLAIMS MANAGEMENT SERVICES, INC.

This Contract Amendment is made and entered by and between the State of Tennessee, Department of Treasury, hereinafter referred to as the "State" and Sedgwick Claims Management Services, Inc., hereinafter referred to as the "Contractor." It is mutually understood and agreed by and between said, undersigned contracting parties that the subject Contract is hereby amended as follows:

1. The text of Contract Section A.3.f.(1) is deleted in its entirety and replaced with the following:

   "f. Communications Between Contractor and State.

   (1) Meetings.

   (A) Monthly. The Contractor shall meet with the State on a monthly basis to discuss such issues as strategies on open claims, reserve changes, upcoming hearings, general claims administration and other issues as determined by the State. Claim adjudication decisions subject to State approval shall also be discussed at these meetings. If a claim decision requiring State approval should not be delayed until the next monthly meeting, the Contractor shall so notify the State. Except for the months of July 2009 through, and including, June 2010, said monthly meetings shall be in person at the State's facilities in Nashville, Tennessee. For the months of July 2009 through, and including, June 2010, the monthly meetings shall be conducted by means of a telephone conference.

   (B) Quarterly. The Contractor shall meet in person with the State and the State's medical management vendors on a quarterly basis at the State's facilities in Nashville, Tennessee."

2. The text of Contract Section A.8.b. is deleted in its entirety and replaced with the following:

   "b. Telephone System. In addition to the above toll-free telephone number, the Contractor shall maintain a system that will cause all phone calls made to the Contractor relating to the services hereunder to go directly to the Contractor's claims management division through a dedicated toll-free phone. All such telephone calls shall be answered by a Contractor claims technician rather than a receptionist. The claims technicians must be able to answer most routine questions and provide information needed for patient referrals. Should the technician not be able to address the needs of the caller or if the caller is inquiring about a particular claim, the caller shall be referred immediately by the technician to the adjuster assigned by the Contractor to handle the claim. Should the adjuster be unavailable, the caller shall be given a choice of either a voice mail system or going back to a claims technician to address the needs of the caller. The direct toll-free number shall be answered by at least four (4) Contractor claims technicians. Should all these lines be in use, calls shall then be answered by an automated system that will ask the callers to hold for the next available technician. If a call is made to the Contractor after hours, the caller shall be advised of the Contractor's normal office hours and provided information that will allow the caller to leave a message. The Contractor shall, to the maximum extent possible, return all phone calls by the next business day."

3. The text of Contract Section A.8.c. is deleted in its entirety and replaced with the following:

   "c. Emergency Service. The Contractor shall provide State employees and State service providers a twenty-four (24) hour emergency service system to assist in situations that need immediate attention. Except during the period from July 1, 2009 through June 30, 2010, such system shall require at least one (1) Contractor adjuster to carry a pager at all times. If

a call is made to the Contractor after hours, the caller shall be advised of the Contractor's normal office hours and provided information that will allow the caller to either leave a message as provided for in subsection b of this Section above or have an adjuster paged should it be an emergency situation.

During the period from July 1, 2009 through June 30, 2010, such system shall require the use of the Call Center, which is staffed 24 hours per day, 365 days per year. If a call is made to the Contractor after hours, the caller shall be advised of the Contractor's normal office hours and provided information that will allow the caller to either leave a message as provided for in subsection b of this Section above or re-route the caller to the Call Center to have a supervisor paged should it be an emergency situation.

All calls received under this Section A.8.c. (whether received by an adjuster or the Call Center) shall be documented and, upon request, the State shall be provided information concerning each emergency call made. The information shall include the name of the caller, the time the call was made, when the call was returned, the reason of the call, and how the call was resolved."

4. The text of Contract Section A.9. is deleted in its entirety and replaced with the following:

"A.9. Offices and Personnel. The Contractor shall maintain at least one (1) claims management office in Tennessee. Notwithstanding the number of offices maintained by the Contractor in Tennessee, the Contractor agrees to travel to any place deemed necessary by the Contractor to perform the services outlined herein and to maintain sufficient personnel to enable the Contractor to fulfill its responsibilities under this Contract. Notwithstanding page 22 of the Contractor's Proposal, the Contractor agrees that during the period from July 1, 2009 through June 30, 2010 the Contractor's examiners who handle workers' compensation indemnity claims shall have caseloads of no more than 190 each in the state of Tennessee. For all other periods during the term of this Contract, such examiners shall have caseloads of no more than 175 each in the state of Tennessee as provided for on page 22 of the Contractor's proposal."

5. The text of Contract Section A.14.a. is deleted in its entirety and replaced with the following:

"A.14. Performance Standards.

a. Standards. The Contractor agrees that the following performance standards shall be met or exceeded:

(1) Except during the period from July 1, 2009 through June 30, 2010, eighty percent (80%) of lost time claims shall be decided within fourteen (14) calendar days from the date received by the Contractor. During the period from July 1, 2009 through June 30, 2010, eighty percent (80%) of lost time claims shall be decided within twenty-one (21) calendar days from the date received by the Contractor;

(2) Ninety-nine percent (99%) of all medical payments shall have a medical bill in the file to document the charge for which payment was made;

(3) Ninety-five percent (95%) of all lost time files shall contain a copy of the notice of termination of lost time benefits which was sent to the injured employee's department/agency; and

(4) Except during the period from July 1, 2009 through June 30, 2010, ninety-five percent (95%) of all lost time files must have 3 point contact (employee, employer, physician) within 24 hours of receipt of the claim. During the period from July 1, 2009 through June 30, 2010, ninety percent (90%) of all lost time files must have 3 point contact (employee, employer, physician) within 48 hours of receipt of the claim."

6. The text of Contract Section C.1. is deleted in its entirety and replaced with the following:

"C.1. Maximum Liability. In no event shall the maximum liability of the State under this Contract exceed five million seven hundred sixty-one thousand five hundred ninety-eight dollars ($5,761,598). The payment rates in Section C.3 shall constitute the entire compensation due the Contractor for the Service and all of the Contractor's obligations hereunder regardless of the difficulty, materials or equipment required. The payment rates include, but are not limited to, all applicable taxes, fees, overheads, and all other direct and indirect costs incurred or to be incurred by the Contractor.

The Contractor is not entitled to be paid the maximum liability for any period under the Contract or any extensions of the Contract for work not requested by the State. The maximum liability represents available funds for payment to the Contractor and does not guarantee payment of any such funds to the Contractor under this Contract unless the State requests work and the Contractor performs said work. In which case, the Contractor shall be paid in accordance with the payment rates detailed in Section C.3. The State is under no obligation to request work from the Contractor in any specific dollar amounts or to request any work at all from the Contractor during any period of this Contract."

7. The text of Contract Section C.3.b. is deleted in its entirety and replaced with the following:

"a. The Contractor shall be compensated for said units, milestones, or increments of service based upon the following payment rates:

SERVICE DESCRIPTION	**Amount** (per compensable increment)					
	September 1, 2008 – June 30, 2009	July 1, 2009 – June 30, 2010	July 1, 2010 – August 31, 2010	September 1, 2010 – August 31, 2011	September 1, 2011 – August 31, 2012	September 1, 2012 – August 31, 2013
For all services set forth in Sections A.1 through A.14 of this Contract for Medical Only Claims	$142.00 per claim assigned during above period	$338,827 flat annual rate (payable in monthly installments)	$146.00 per claim assigned during above period	$150.00 per claim assigned during above period	$155.00 per claim assigned during above period	$160.00 per claim assigned during above period

For all services set forth in Sections A.1 through A.14 of this Contract for Lost Time Claims	$813.00 per claim assigned during above period	$629,251 flat annual rate (payable in monthly installments)	$837.00 per claim assigned during above period	$862.00 per claim assigned during above period	$888.00 per claim assigned during above period	$915.00 per claim assigned during above period
For all services set forth in Sections A.1 through A.14 of this Contract for the Assumption of Take-Over Claims (Medical Only) *Note: Assumption of Take-Over Claims will be for the first year only*	$00.00 per claim assigned	N/A	N/A	N/A	N/A	N/A
For all services set forth in Sections A.1 through A.14 of this Contract for the Assumption of Take-Over Claims (Lost Time) *Note: Assumption of Take-Over Claims will be for the first year only*	$00.00 per claim assigned	N/A	N/A	N/A	N/A	N/A

The services set forth in Sections A.15 through A.16 of this Contract shall be provided by the Contractor at no additional cost to the State."

The revisions set forth herein shall be effective July 1, 2009. All other terms and conditions not expressly amended herein shall remain in full force and effect.

IN WITNESS WHEREOF,

SEDGWICK CLAIMS MANAGEMENT SERVICES, INC.:

CONTRACTOR SIGNATURE **DATE**

JEFF GLATSTEIN, CORP. COUNSEL

PRINTED NAME AND TITLE OF CONTRACTOR SIGNATORY (above)

TREASURY DEPARTMENT:

DAVID H. LILLARD, JR., STATE TREASURER **DATE**

CONTRACT SUMMARY SHEET

021908

RFS #	Contract #
309.01—121— 09	FA — 09- 25329-00
State Agency	**State Agency Division**
Tennessee Treasury Department	Division of Claims Administration
Contractor Name	**Contractor ID # (FEIN or SSN)**
Sedgwick Claims Management Services, Inc.	☐ C- or ☒ V- 36-2685608

Service Description

The Contractor will provide workers' compensation claims management services to the State. Such services include investigating and determining the compensability of workers' compensation claims filed against the State, and the processing and payment of medical bills related to approved workers' compensation claims.

Contract Begin Date	Contract End Date	SUBRECIPIENT or VENDOR?	CFDA #
September 1, 2008	August 31, 2013	Vendor	

Mark Each TRUE Statement

☒ Contractor is on STARS ☒ Contractor's Form W-9 is on file in Accounts

Allotment Code	Cost Center	Object Code	Fund	Funding Grant Code	Funding Subgrant Code
313.10	48	083	12		

FY	State	Federal	Interdepartmental	Other	TOTAL Contract Amount
2009	$998,650				$998,650
2010	$1,198,380				$1,198,380
2011	$1,198,380				$1,198,380
2012	$1,198,380				$1,198,380
2013	$1,198,380				$1,198,380
2014	$199,730				$199,730
TOTAL:	$5,991,900				$5,991,900

— COMPLETE FOR AMENDMENTS ONLY —

FY	Base Contract & Prior Amendments	THIS Amendment ONLY
TOTAL:		
End Date:		

State Agency Fiscal Contact & Telephone #

Mary Roberts-Krause, General Counsel
10th Floor, Andrew Jackson Building
253-3855

State Agency Budget Officer Approval

Mary Roberts-Krause

Funding Certification (certification, required by T.C.A., § 9-4-5113, that there is a balance in the appropriation from which the obligated expenditure is required to be paid that is not otherwise encumbered to pay obligations previously incurred)

JUN 25 2008

RECEIVED JUL -9 PM 3:56 COMPTROLLER'S OFFICE OFFICE OF MANAGEMENT SERVICES

Contractor Ownership (complete for ALL base contracts—N/A to amendments or delegated authorities)

☐ African American ☐ Person w/ Disability ☐ Hispanic ☐ Small Business ☐ Government
☐ Asian ☐ Female ☐ Native American ☒ NOT Minority/Disadvantaged ☐ Other

Contractor Selection Method (complete for ALL base contracts—N/A to amendments or delegated authorities)

☒ RFP ☐ Competitive Negotiation * ☐ Alternative Competitive Method *
☐ Non-Competitive Negotiation * ☐ Negotiation w/ Government (ID, GG, GU) ☐ Other *

*** Procurement Process Summary** (complete for selection by Non-Competitive Negotiation, Competitive Negotiation, OR Alternative Method)

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CONTRACT
BETWEEN THE STATE OF TENNESSEE,
DEPARTMENT OF TREASURY
AND
SEDGWICK CLAIMS MANAGEMENT SERVICES, INC.

This Contract, by and between the State of Tennessee, Department of Treasury, hereinafter referred to as the "State" and Sedgwick Claims Management Services, Inc., hereinafter referred to as the "Contractor," is for the provision of workers' compensation third party administrative services to the State, as further defined in the "SCOPE OF SERVICES."

The Contractor is a for-profit corporation.
Contractor Federal Employer Identification or Social Security Number: 36-2685608
Contractor Place of Incorporation or Organization: State of Illinois

A. SCOPE OF SERVICES:

A.1. The Contractor shall provide all service and deliverables as required, described, and detailed by this Scope of Services and shall meet all service and delivery timelines specified in the Scope of Services section or elsewhere in this Contract.

A.2. In General. The Contractor's responsibilities under this Contract include, but are not limited to, workers' compensation claims investigation and determination of compensability, ongoing claims management, payment of medical and indemnity benefits, coordination with the State's vendor for state mandated fee schedule repricing services, subrogation recoveries, reserving, facilitation of early return to work and modified duty, referral to the State's managed care vendor for appropriate utilization review and medical case management, attendance at benefit review conferences across the state of Tennessee, and data capturing and reporting. The Contractor shall perform such responsibilities in accordance with this Contract.

A.3. Claims Administration.

a. Determination of Claims. The Contractor shall review all workers' compensation claims assigned to the Contractor by the State during the term of this Contract and process each such claim in accordance with Tennessee Code Annotated, Sections 9-8-307, 9-8-402 and Title 50, Chapter 6.

b. Claim Adjudication Decisions.

(1) The Contractor is authorized to make decisions regarding workers' compensation cases in accordance with Tennessee law, except that the following claims adjudication decisions shall require prior approval of the State:

(A) denials of the compensability of an accident/injury;
(B) approvals to use rehabilitative services;
(C) approvals of death claims;
(D) approvals of heart attack/hypertension claims;
(E) discontinuance of overpayment collection efforts;
(F) discontinuance of subrogation collection efforts;
(G) initiations of surveillance/investigation services;
(H) approvals or denials of National Guard claims; and
(I) prior to entering into settlement discussions with a claimant/counsel, the Contractor shall obtain the State's approval of the settlement conditions to be proposed.

Notwithstanding the above, the State may authorize the Contractor to approve certain classes of claims falling within sub-items (A) through (I) above without the necessity of obtaining the prior approval of the State. Any such authorization will

be in writing and set forth the classes of claims involved. It is understood and agreed that any decision made by the Contractor regarding a workers' compensation case is subject to review and modification by the State.

(2) If the Contractor recommends denial of a claim, the Contractor shall so notify the State and inform the State of the reasons therefore. The State shall have final authority to determine whether a claim should be denied. If the State approves the denial recommendation, the Contractor shall so notify the claimant by letter. Said letter shall be substantially in the same form as the sample letter which shall be jointly developed by the State and the Contractor. If the Contractor approves the claim, the Contractor shall so notify the claimant by letter. Said letter shall be substantially in the same form as the sample letter which shall be jointly developed by the State and the Contractor. The Contractor shall also send a copy of the denial or approval letter, whichever is applicable, to the representative of the specific agency or department where the claimant was working at the time of the alleged injury. Any approval letter shall further be sent to the State's group insurance division. The Contractor shall thereafter, without further authorization, process and pay all approved claims for workers' compensation benefits and all appropriate medical bills related to such workers' compensation injury as provided in Sections A.7 and A.10 of this Contract.

(3) Notwithstanding Sections A.3.b(1) and A.3.b(2) to the contrary, the State may authorize the Contractor to approve certain classes of claims without the necessity of obtaining the prior approval of the State. Any such authorization shall be in writing and shall set forth the classes of claims involved.

(4) The files of claims closed by the Contractor shall be archived by the Contractor in such manner, format, and frequency as shall be mutually agreed to by the parties. The integrity of each file shall be maintained during archiving and shall include all documents, papers, letters, and other material made or received by the Contractor in connection with the particular claim. All file documents, papers, letters and other material shall be archived in the order of their occurrence, with the most recent material appearing first. Prior to archiving, the Contractor shall ensure that the claim number assigned to the file is marked at the top of each page.

(5) The Contractor assumes entire responsibility for any loss occasioned by reason of misplaced, lost, damaged, destroyed or stolen files while such files are in the possession or custody of the Contractor, or while such files are in the possession of any carrier en route from the Contractor to the State.

c. Claim Handling Requirements. The Contractor shall develop, in consultation with the State, Claim Handling Requirements for workers' compensation claims assigned by the State to the Contractor. At a minimum, such Requirements shall include the Claim Handling Requirements set forth in Attachment 1.

d. Telephonic and Electronic Claims Intake Services. The Contractor shall provide telephonic and electronic claims intake services, which allow the filing of workers' compensation claims over the telephone and electronically. The Contractor shall make such services available twenty-four (24) hours a day, seven (7) days a week. The Contractor shall provide notification of each such telephonic and electronic filing to the injured employee's agency contact within two (2) business days of filing.

e. Integration with Cost Containment and Medical Management Vendors. The Contractor shall integrate, at its own expense, with vendors who provide cost containment services and medical management services on behalf of the State. Such services include various types of utilization review (such as inpatient, outpatient, and high-tech diagnostic), case management and a preferred provider arrangement. The Contractor acknowledges that pre-established case management

guidelines exist with respect to such vendors, as set forth in Attachments 1 and 2, and agrees to work and coordinate with such vendors based upon such guidelines. Specifically, but not by way of limitation, the Contractor shall identify claims which meet those guidelines and make the appropriate vendor referrals. Any referrals for medical management services shall be at the sole discretion of the Contractor.

f. Communications Between Contractor and State.

(1) Meetings. The Contractor shall meet with the State in Nashville, Tennessee on a monthly basis to discuss such issues as strategies on open claims, reserve changes, upcoming hearings, general claims administration and other issues as determined by the State. Claim adjudication decisions subject to State approval shall also be discussed at these meetings. If a claim decision requiring State approval should not be delayed until the next monthly meeting, the Contractor shall so notify the State. The Contractor shall also meet with the State and the State's medical management vendors on a quarterly basis.

(2) Reports.

(A) Daily. On a daily basis, the Contractor shall provide a detailed listing of the payment activity, including check serial numbers and ACH payment identifiers, payee names, payment amounts and associated claim numbers, and balancing to the required funding amount for that day.

(B) Weekly. On a weekly basis, the Contractor shall provide an aging report for all claims pending a decision on compensability and a report for new claims that require chiropractic treatment option.

(C) Monthly. The Contractor shall further provide to the State monthly reports containing the following information: (i) loss run information summarizing the number of claims opened, closed and pending; (ii) the amounts paid and reserved; (iii) loss analysis by agency showing number of claims, amount paid, amount incurred, body part, type of injury, location and etc.; (iv) check reconciliation reports that provide detail (check number, issue date, payee name, claim number, check amount, paid or cancel date) of all checks issued, paid or cancelled during the month, and a detailed listing of outstanding checks at each month-end; (v) payment activity report by department/division code and location; (vi) temporary total disability report by department/division code transmitted by secure e-mail to each state agency contact; (vii) payment report by type of payment (medical, permanent disability, temporary disability and death); (viii) caseload count by adjuster; and (ix) subrogation recoveries and refunds. The monthly report shall be due on the last business day of the month and shall cover the information described in this subparagraph as of the previous month end.

(D) Quarterly. On a quarterly basis, the Contractor shall provide the State with a listing of all reserve changes over $25,000, a loss analysis showing claims by body part, type of injury, location of injury and etc., and a listing of the average accident reporting time (i.e., from the date of injury to the date reported to the employer to the date of filing a claim). The listings and analysis shall cover the information described in this subparagraph occurring since the previous quarter.

(E) Statement of Auditing Standards. On at least an annual basis, the Contractor shall have a Type II Independent Service Auditor's report prepared for its service organization in accordance with Statement on Auditing Standards (SAS) Number 70, and provide copies of each such report to the State during the Contract term.

(F) Miscellaneous. The Contractor shall further provide written status reports to the State on a monthly basis for all claims exceeding the dollar amount specified in Section 6 of Attachment 1 hereto, unless the State directs that such reports be provided less frequently. The reports shall contain the information specified in Section 6 of Attachment 1, and such additional information as shall be mutually agreed to by the parties.

A.4. Subrogation and Surveillance. The Contractor shall identify claims wherein subrogation opportunities may arise for which follow-up on such opportunities will be required using the process described in page 57 of the Contractor's Proposal. The Contractor shall also identify claims wherein surveillance or activity checks may be useful and notify the State of such claims. The Contractor shall use the process described in pages 52 and 53 of the Contractor's Proposal in identifying such claims. Upon the State's approval, the Contractor shall assign the identified claims for surveillance or activity checks.

A.5. Return to Work and Rehabilitation. The Contractor shall monitor the treatment programs recommended for employees by physicians, specialists and other health care providers by reviewing all reports prepared by them and maintaining such contact with these providers as may be appropriate in the judgment of the Contractor. As the State directs, the Contractor shall assist in interpreting medical reports to consider the circumstances under which an ill or injured employee could return to work in the shortest period of time and shall assist the State, at the State's request, in arranging for rehabilitation or retraining of employees in appropriate cases.

A.6. Cooperation in Litigation. The Contractor shall fully cooperate with the state of Tennessee in any hearing or trial involving a workers' compensation claim. Such cooperation shall include assisting the State, if requested, in preparing the defense of litigated cases, negotiating settlements, pursuing subrogation or contributions actions and the presentation at trial of factual information concerning the activities of particular individuals or any other information possessed by the Contractor that may be useful in the enforcement of the Tennessee Workers' Compensation Act or resolution of any related dispute.

A.7. Process Workers' Compensation Medical Bills. Upon approval of a workers' compensation claim as provided above, the Contractor shall process for payment all medical bills related to such workers' compensation injury submitted by or on behalf of the authorized physicians and hospitals.

a. The Contractor shall review all medical bills to ensure that each bill is reasonable, necessary, related to the treatment of the approved injury, and meets the requirements of Tennessee Code Annotated, Title 50, Chapter 6 (Tennessee Workers' Compensation Act).

b. The Contractor agrees to perform the above process in accordance with pages 41 and 49 of the Contractor's Proposal and to process such medical bills for payment pursuant to said pages.

c. The State maintains the right to audit individual claims and the claim payment procedures of the Contractor at any time, with reasonable notification to the Contractor.

d. The Contractor shall perform quarterly audits of randomly selected medical bills that have been repriced to the state mandated fee schedule by the State's repricing vendor, and advise the State of its findings. Such audits shall be performed in accordance with page 42 of the Contractor's Proposal.

A.8. Telephone, Emergency Service and Post Office Box.

a. General Toll-Free Telephone Number. The Contractor, at its own expense, shall maintain a toll-free telephone number to respond to inquiries from claimants and

providers concerning the status of claims, medical bills, and panels of physicians. Upon proper identification, the Contractor shall, to the extent possible, answer inquiries over the telephone.

b. Telephone System. In addition to the above toll-free telephone number, the Contractor shall maintain a system that will cause all phone calls made to the Contractor relating to the services hereunder to go directly to the Contractor's claims management division through a dedicated toll-free phone. All such telephone calls shall be answered by a Contractor claims technician rather than a receptionist. The claims technicians must be able to answer most routine questions and provide information needed for patient referrals. Should the technician not be able to address the needs of the caller or if the caller is inquiring about a particular claim, the caller shall be referred immediately by the technician to the adjuster assigned by the Contractor to handle the claim. Should the adjuster be unavailable, the caller shall be given a choice of either a voice mail system or going back to a claims technician to address the needs of the caller. The direct toll-free number shall be answered by at least four (4) Contractor claims technicians. Should all these lines be in use, calls shall then be answered by an automated system that will ask the callers to hold for the next available technician. The Contractor shall, to the maximum extent possible, return all phone calls by the next business day.

c. Emergency Service. The Contractor shall provide State employees and State service providers a twenty-four (24) hour emergency service system to assist in situations that need immediate attention. Such system shall require at least one (1) Contractor adjuster to carry a pager at all times. If a call is made to the Contractor after hours, the caller shall be advised of the Contractor's normal office hours and provided information that will allow the caller to either leave a message or have an adjuster paged should it be an emergency situation. All such calls received by the adjuster shall be documented and, upon request, the State shall be provided information concerning each emergency call made. The information shall include the name of the caller, the time the call was made, when the call was returned, the reason of the call, and how the call was resolved.

d. Post Office Box. The Contractor shall maintain a unique post office box number for the purpose of receiving claims, medical bills and other correspondence in relation to this Contract.

A.9. Offices and Personnel. The Contractor shall maintain at least one (1) claims management office in Tennessee. Notwithstanding the number of offices maintained by the Contractor in Tennessee, the Contractor agrees to travel to any place deemed necessary by the Contractor to perform the services outlined herein and to maintain sufficient personnel to enable the Contractor to fulfill its responsibilities under this Contract.

A.10. Claims Payment and Reconciliation Process.

a. For payment of all approved claims for workers' compensation and all appropriate medical bills, the Contractor shall issue payments in the form of checks and/or Automated Clearing House (ACH) electronic funds transfer against the Contractor's own bank account. Unless otherwise mutually agreed to in writing by the parties, the check mailing/delivery process, including the location and timing for the printing and mailing of the checks shall be in the manner described in pages 54 – 56 of the Contractor's Proposal. The Contractor shall maintain security and quality controls over the design, printing and mailing of checks, as well as any fraud prevention feature of check stock in the manner described in pages 55 and 56 of the Contractor's Proposal.

b. The State shall fund the Contractor for the total issue amount of the payments, net of cancellations, voids or other payment credit adjustments, daily or at the time of each

issuance of checks or ACH, provided the Contractor's payment process includes timely delivery of checks and settlement of ACH transactions. Unless otherwise mutually agreed to in writing by the parties, the Contractor shall notify the State of the day's funding requirement amount in the manner described in page 55 of the Contractor's Proposal. The State shall fund the Contractor as provided under this Section A.10 upon receipt of an ACH debit from the Contractor to a designated State bank account. The Contractor acknowledges and agrees that since the State intends to fund payments at the time of issuance, the State shall not maintain a separate bank account or an escrow account with the Contractor or to otherwise pre-fund an account.

c. The Contractor further acknowledges the State will monitor and age the outstanding check balance and the Contractor agrees, upon request of the State, to conduct a review and/or cancel-reissue of stale dated outstanding items. Pursuant to Section A.3.f (2)(A), the Contractor shall provide to the State, on a daily basis and in the manner described in pages 54 and 55 of the Contractor's Proposal, a detailed listing of the payment activity, including check serial numbers and ACH payment identifiers, payee names, payment amounts and associated claim numbers, and balancing to the required funding amount for that day. Said listing shall enable the State to reconcile the payment detail to the required funding amount, while providing related payment information needed to record the necessary accounting entries by expense classifications. The Contractor shall further provide to the State the monthly check reconciliation reports described in Section A.3.f (2)(C)(iv) hereof.

d. The Contractor shall issue all related Internal Revenue Service (IRS) Form 1099 reports, submit required 1099 information directly to the IRS and maintain responsibility in matters relating to such information provided to payees and to the IRS, including the payment of any penalties or fees related to such 1099 reporting.

e. Overpayments resulting from the negligent, reckless, or willful acts or omissions of the Contractor, its officers, agents or employees shall be the responsibility of the Contractor, regardless of whether or not such overpayments can be recovered by the Contractor. The Contractor shall repay the State the amount of any such overpayment within thirty (30) calendar days of discovery of the overpayment. Overpayments due to provider fraud or fraud of any other type, other than fraud by employees or agents of the Contractor, will not be considered overpayments for purposes of this Section. The Contractor agrees to assist in identifying fraud and make reasonable efforts, in consultation with the State, to recover overpayments due to fraud. The State will not hold the Contractor responsible for overpayments caused by the State's errors or errors caused by any other agency or department of the state of Tennessee; however, the Contractor shall assist the State in recovery of such overpayments. The requirement that the Contractor assist the State in identifying or recovering overpayments as provided in this Section does not require the Contractor to become a party to any legal proceeding as a result thereof.

A.11. Reserving. The Contractor shall establish reserves on open claims in accordance with approved insurance standards and in accordance with pages 57 and 58 of the Contractor's Proposal, or as otherwise agreed to by the parties. Unless authorized by the State in writing, the Contractor shall not charge against experience those claim payments not authorized under the workers' compensation plan of the State of Tennessee if such payments were the result of error, negligence, reckless or willful acts or omissions by the Contractor, its officers, agents, or employees. At the State's request, the Contractor shall furnish the reserve information to the State's Risk Management Actuarial Vendor to enable the Vendor to determine the funding required for the State's Claims Award Fund.

A.12. Consulting Services. At the State's direction, the Contractor shall provide information to State employees and to State departments and agencies regarding the benefits available under the State's workers' compensation program and to counsel any such department

or agency regarding policies and procedures to meet the needs of the State. Further, the Contractor shall consult with the State, at the State's request, on the establishment and coordination of necessary procedures and practices to meet any applicable laws or regulations. The Contractor shall also participate in the orientation of the State's personnel who are directly or indirectly involved in the processing of workers' compensation claims.

A.13. Attendance at Benefit Review Conferences. Unless otherwise directed by the State, the Contractor shall physically attend and participate in benefit review conferences held pursuant to Tennessee Code Annotated, Section 50-6-239 relative to workers' compensation claims assigned to the Contractor by the State during the term of this Contract. Should the State direct that the Contractor's physical presence at any such conference is unnecessary, the Contractor shall, at the State's request, participate in the conference by telephone or other State approved electronic means provided the Contractor is given at least two (2) business days' advance notice of the conference.

A.14. Performance Standards.

a. Standards. The Contractor agrees that the following performance standards shall be met or exceeded:

(1) Eighty percent (80%) of lost time claims shall be decided within fourteen (14) calendar days from the date received by the Contractor;
(2) Ninety-nine percent (99%) of all medical payments shall have a medical bill in the file to document the charge for which payment was made;
(3) Ninety-five percent (95%) of all lost time files shall contain a copy of the notice of termination of lost time benefits which was sent to the injured employee's department/agency; and
(4) Ninety-five percent (95%) of all lost time files must have 3 point contact (employee, employer, physician) within 24 hours of receipt of the claim.

b. Guarantee. To confirm that such standards have been met, the State or its designee shall have the right to conduct file audits of a statistically significant random sample of files at least two (2) times each year. The State reserves the right, however, to conduct such audits on a more frequent basis. If the files reviewed do not meet or exceed all of the above performance standards, the Contractor shall refund to the State two percent (2%) of the total compensation earned by the Contractor for services rendered hereunder during the previous six-month period. This obligation by the Contractor shall not be construed to limit the liability of the Contractor for damages sustained by the State by virtue of any breach of this Contract by the Contractor nor shall such obligation be construed to limit any other remedies available to the State in equity, at law or otherwise.

A.15. Claims Management Database System.

a. Access to System. At no additional cost to the State, the Contractor shall provide the State on-line computer access to its JURIS claims management system, which is a data processing facility designed to provide the claims management data base and reports needed for effective claims management, and which is more fully described in pages 43 – 46 of the Contractor's Proposal. Access to said System shall include access to the Contractor's adjusters' file notes and shall be through a secure Internet connection or a private network connection supplied to the State by the Contractor and shall be accessible by the State twenty-four (24) hours a day, three hundred sixty-five (365) days a year, except for reasonable down time for back-up and maintenance. The network shall include support for concurrent access for a certain number of users on the State's network, which number shall be mutually agreed upon by the State and the Contractor provided that such number shall not be less than eight (8) users for the State. The network shall include any necessary connection or equipment for host directed print from the Contractor's claims

management system to the State. Further, the System shall provide secure on-line computer access for two (2) users each to the Tennessee Department of Human Resources and the Tennessee Department of Finance and Administration with the exception of the Contractor's adjusters' file notes. The System shall restrict such users so that the adjusters' file notes are not available for viewing, printing or otherwise. The Contractor shall, at its own expense, maintain and keep the private network or its Internet connection in good working order and condition so that it will perform its functions properly. Any private network connection shall be furnished to the State at the 11th Floor of the Andrew Jackson State Office Building located at 502 Deaderick Street, Nashville, Tennessee 37243 ("the Facility Location"). If redundant private network connections are provided, the alternate connection shall be furnished at 901 Fifth Avenue North, Nashville, Tennessee 37247 ("the OIR Data Center").

b. Grant of License. Upon the Contractor's installation of the network connection, the Contractor agrees the State shall have a nontransferable and nonexclusive right, revocable in accordance with the terms herein, to use the System solely in connection with the internal operation of the State's business. The State acknowledges that the license to use the System granted herein transfers no title or right to the System other than the right to use the System for particular transactions or particular advisory or management situations occurring in the normal conduct of the State's business.

c. Network Connection Replacement. When installed, the State agrees not to relocate any private network connection from its Facility Location or the OIR Data Center without the Contractor's prior written consent, which consent shall not be unreasonably withheld. Upon the State's receipt of such consent, the Contractor agrees, at its own expense, to provide off-site consultation and advice to the State in relocating or modifying the network connection.

d. Observation of System Use. The State agrees that during normal business working hours, or during a prearranged time, any person or persons designated by the Contractor shall have access to the State's Facility Location and shall have the right to observe the use made of the System and the network connection, and to examine and inspect all instruments and any apparatus used in connection with the System and the network connection in said place.

e. Maintenance and Consulting Services. The Contractor shall provide the following maintenance and consulting services at no additional cost to the State:

(1) Maintenance. The Contractor shall provide on a timely basis to the State maintenance service to any private network connection. Said service shall include telephone support to ensure that the network connection and System perform the requirements specified in Section A.15.a hereof. As part of such service, the Contractor shall provide to the State any improvements, enhancements and new releases of the System developed by the Contractor along with explanatory reference documentation. Such modified software shall not degrade current performance levels.

(2) Training and Operations Manual Services. The Contractor shall, at the State's facilities and during regular State business hours, conduct a one (1) day training class annually for State user and operations staff. The class shall consist of a lecture and hands-on training in the use and operation of the various System functions and their related documentation. The Contractor shall further establish an on-going capability for training new users by providing to the State at least four (4) hard copies of the Systems User's Guide suitable for reproducing.

(3) Problem Resolution. The Contractor shall initiate System problem resolution within four (4) business hours after telephone notification by the State. The

Contractor shall provide to the State off-site network problem reporting and resolution each business day from 8:00 a.m., Central Time, through 4:30 p.m., Central Time. The Contractor shall also provide the capability to accept problem reports during those times when the Contractor's problem resolution staff is not available. The State shall submit to the Contractor a listing of output and all such other data which the Contractor reasonably may request in order to reproduce operating conditions similar to those present when the error, defect or opinion unreasonably degrades System performance.

(4) Consulting. The Contractor shall provide to the State off-site telephone support each business day from 8:00 a.m., Central Time, through 4:30 p.m., Central Time, in the form of consultation, assistance and advice on the use of the System. The Contractor and the State shall from time to time designate a telephone number for a Maintenance and Consulting Contact Point. The State shall have the right to call such telephone number for assistance with the use or maintenance of the network connection and System.

(5) Problem Resolution Contact. The Contractor shall maintain a world wide web page, which contains current problem resolution and consulting contact information. Such information shall include the respective contact names, telephone numbers, telefax numbers, street addresses and e-mail addresses.

f. Network Security/Confidentiality. If the State's access to the System requires a network connection (the "Network Connection") between the State's wide area network and the Contractor's wide area network, the parties shall take reasonable and customary precautions to prevent unauthorized access to or use of the Network Connection through their respective networks. The parties agree, however, that each party is responsible for the security of its own network. Neither party shall be liable to the other for unauthorized access to the Network Connection, so long as the accused party shall have taken reasonable and customary precautions to prevent such unauthorized access.

A.16. Conversion Project Management Plan; Back-Up Procedures and Disaster Recovery Plan; Information Project Security Plan; and Business Continuity Management Plan. The Contractor shall provide the following services at no additional cost to the State:

a. Conversion Project Management Plan. The Contractor shall transition takeover claims, conduct System training, develop and implement a System conversion plan, and perform post-implementation review services in accordance with pages 28, 29, 51, and 52 of the Contractor's Proposal. At the request of either party, the Contractor and the State shall meet to discuss the status of such services, and to resolve any issues in consummating the services. Any such meeting shall take place at a time mutually agreed to by the parties, and shall be held at the State's facilities in Nashville, Tennessee, or, with the State's approval, via telephone conference. The party requesting the meeting shall set the meeting agenda, and prepare a brief report summarizing the issues raised at the meeting and the decisions made in addressing those issues.

b. Back-Up Procedures and Disaster Recovery Plan. The Contractor shall maintain contingency plans for systems back-up in the event of disaster or malfunction. At a minimum, this shall be accomplished by the Contractor backing-up all claims data nightly and maintaining at least two (2) back-up cycles off-site in a commercial business storage facility. The Contractor shall resume services hereunder within seventy-two (72) hours of the disaster or malfunction. The Contractor shall provide notification of an incident to both the Director of the Division of Claims Administration and to the State's Information Systems Operations Group within two (2) hours after the beginning of operation of the Contractor's Emergency Operations Command Post.

c. Information Project Security Plan. The Contractor shall maintain an Information Project Security Plan in accordance with pages 33 and 34 of the Contractor's Proposal.

d. Business Continuity Management Plan. The Contractor shall maintain a Business Continuity Management Plan as described in pages 39 and 40 of the Contractor's Proposal.

B. CONTRACT TERM:

This Contract shall be effective for the period commencing on September 1, 2008 and ending on August 31, 2013. The State shall have no obligation for services rendered by the Contractor which are not performed within the specified period.

C. PAYMENT TERMS AND CONDITIONS:

C.1. Maximum Liability. In no event shall the maximum liability of the State under this Contract exceed five million nine hundred ninety-one thousand nine hundred dollars ($5,991,900). The payment rates in Section C.3 shall constitute the entire compensation due the Contractor for the Service and all of the Contractor's obligations hereunder regardless of the difficulty, materials or equipment required. The payment rates include, but are not limited to, all applicable taxes, fees, overheads, and all other direct and indirect costs incurred or to be incurred by the Contractor.

The Contractor is not entitled to be paid the maximum liability for any period under the Contract or any extensions of the Contract for work not requested by the State. The maximum liability represents available funds for payment to the Contractor and does not guarantee payment of any such funds to the Contractor under this Contract unless the State requests work and the Contractor performs said work. In which case, the Contractor shall be paid in accordance with the payment rates detailed in Section C.3. The State is under no obligation to request work from the Contractor in any specific dollar amounts or to request any work at all from the Contractor during any period of this Contract.

C.2. Compensation Firm. The payment rates and the maximum liability of the State under this Contract are firm for the duration of the Contract and are not subject to escalation for any reason unless amended.

C.3. Payment Methodology. The Contractor shall be compensated based on the payment rates herein for units of service authorized by the State in a total amount not to exceed the Contract Maximum Liability established in Section C.1.

a. The Contractor's compensation shall be contingent upon the satisfactory completion of units, milestones, or increments of service defined in Section A.

b. The Contractor shall be compensated for said units, milestones, or increments of service based upon the following payment rates:

SERVICE DESCRIPTION	**Amount** (per compensable increment)				
	September 1, 2008 – August 31, 2009	September 1, 2009 – August 31, 2010	September 1, 2010 – August 31, 2011	September 1, 2011 – August 31, 2012	September 1, 2012 – August 31, 2013
For all services set forth in Sections A.1 through A.14 of this Contract for Medical Only Claims	$142.00 per claim assigned during above period	$146.00 per claim assigned during above period	$150.00 per claim assigned during above period	$155.00 per claim assigned during above period	$160.00 per claim assigned during above period
For all services set forth in Sections A.1 through A.14 of this Contract for Lost Time Claims	$813.00 per claim assigned during above period	$837.00 per claim assigned during above period	$862.00 per claim assigned during above period	$888.00 per claim assigned during above period	$915.00 per claim assigned during above period
For all services set forth in Sections A.1 through A.14 of this Contract for the Assumption of Take-Over Claims (Medical Only) *Note: Assumption of Take-Over Claims will be for the first year only*	$00.00 per claim assigned	N/A	N/A	N/A	N/A
For all services set forth in Sections A.1 through A.14 of this Contract for the Assumption of Take-Over Claims (Lost Time) *Note: Assumption of Take-Over Claims will be for the first year only*	$00.00 per claim assigned	N/A	N/A	N/A	N/A

The services set forth in Sections A.15 through A.16 of this Contract shall be provided by the Contractor at no additional cost to the State.

c. Definition of Lost Time Claim. "Lost time claim" means a claim filed by an employee who has been absent from work for over seven (7) calendar days by authority of a physician due to an alleged work related injury, any claim involving indemnity payments, or any claim on which the Contractor physically attends a benefits review conference pursuant to Section A.13 above.

d. Definition of Take-Over Claim. "Take-Over claim" means a claim already received by the State prior to the commencement date of this Contract for which a decision as to compensability has been made but which is still open.

C.4. Travel Compensation. The Contractor shall not be compensated or reimbursed for travel, meals, or lodging.

C.5. Invoice Requirements. The Contractor shall invoice the State at the end of each month covering all claims assigned by the State to the Contractor during that month and for the amount stipulated in Section C.3, above, and as required below prior to any payment.

a. The Contractor shall submit invoices no more often than monthly, with all necessary supporting documentation, to:

Tennessee Treasury Department
Division of Accounting
9th Floor, Andrew Jackson State Office Building
502 Deaderick Street
Nashville, Tennessee 37243-0206

b. The Contractor agrees that each invoice submitted shall clearly and accurately (all calculations must be extended and totaled correctly) detail the following required information.

(1) Invoice/Reference Number (assigned by the Contractor);
(2) Invoice Date;
(3) Invoice Period (period to which all invoiced charges are applicable);
(4) Contract Number (assigned by the State to this Contract);
(5) Account Name: Tennessee Treasury Department, Division of Claims Administration;
(6) Account/Customer Number (uniquely assigned by the Contractor to the above-referenced Account Name);
(7) Contractor Name;
(8) Contractor Federal Employer Identification Number or Social Security Number (as referenced in this Contract);
(9) Contractor Contact (name, phone, and/or fax for the individual to contact with billing questions);
(10) Contractor Remittance Address;
(11) Complete Itemization of Charges, which shall detail the following:

i. Service or Milestone Description (including name /title as applicable) of each service invoiced;
ii. A listing of each claim assigned by the State to the Contractor for the period for which the Contractor is requesting payment. Said list shall be provided to the State in both hardcopy and diskette form;
iii. Applicable Payment Rate (as stipulated in Section C.3.) of each service invoiced;
iv. Amount Due by Service; and
v. Total Amount Due for the invoice period.

c. The Contractor understands and agrees that an invoice to the State under this Contract shall:

(1) include only charges for service described in Contract Section A and in accordance with payment terms and conditions set forth in Contract Section C;

(2) not include any future work but will only be submitted for claims assigned by the State to the Contractor during the month covered by the invoice period; and

(3) not include sales tax or shipping charges.

d. The Contractor agrees that timeframe for payment (and any discounts) begins when the State is in receipt of each invoice meeting the minimum requirements above.

e. The Contractor shall complete and sign a "Substitute W-9 Form" provided to the Contractor by the State. The taxpayer identification number contained in the Substitute W-9 submitted to the State shall agree to the Federal Employer Identification Number or Social Security Number referenced in this Contract for the Contractor. The Contractor shall not invoice the State for services until the State has received this completed form.

C.6. Payment of Invoice. The payment of the invoice by the State shall not prejudice the State's right to object to or question any invoice or matter in relation thereto. Such payment by the State shall neither be construed as acceptance of any part of the work or service provided nor as an approval of any of the amounts invoiced therein.

C.7. Invoice Reductions. The Contractor's invoice shall be subject to reduction for amounts included in any invoice or payment theretofore made which are determined by the State, on the basis of audits conducted in accordance with the terms of this Contract, not to constitute proper remuneration for compensable services.

C.8. Deductions. The State reserves the right to deduct from amounts which are or shall become due and payable to the Contractor under this or any Contract between the Contractor and the State of Tennessee any amounts which are or shall become due and payable to the State of Tennessee by the Contractor.

C.9. Automatic Deposits. The Contractor shall complete and sign an "Authorization Agreement for Automatic Deposit (ACH Credits) Form." This form shall be provided to the Contractor by the State. Once this form has been completed and submitted to the State by the Contractor all payments to the Contractor, under this or any other Contract the Contractor has with the State of Tennessee shall be made by Automated Clearing House (ACH). The Contractor shall not invoice the State for services until the Contractor has completed this form and submitted it to the State.

D. STANDARD TERMS AND CONDITIONS:

D.1. Required Approvals. The State is not bound by this Contract until it is approved by the appropriate State officials in accordance with applicable Tennessee State laws and regulations.

D.2. Modification and Amendment. This Contract may be modified only by a written amendment executed by all parties hereto and approved by the appropriate Tennessee State officials in accordance with applicable Tennessee State laws and regulations.

D.3. Termination for Convenience. The State may terminate this Contract without cause for any reason. Said termination shall not be deemed a Breach of Contract by the State. The State shall give the Contractor at least thirty (30) days written notice before the effective termination date. The Contractor shall be entitled to receive compensation for satisfactory, authorized service completed as of the termination date, but in no event shall the State be liable to the Contractor for compensation for any service which has not been rendered. Upon such termination, the Contractor shall have no right to any actual general, special, incidental, consequential, or any other damages whatsoever of any description or amount.

D.4. Termination for Cause. If the Contractor fails to properly perform its obligations under this Contract in a timely or proper manner, or if the Contractor violates any terms of this Contract, the State shall have the right to immediately terminate the Contract and withhold payments in excess of fair compensation for completed services. Notwithstanding the above, the Contractor shall not be relieved of liability to the State for damages sustained by virtue of any breach of this Contract by the Contractor.

D.5. Subcontracting. The Contractor shall not assign this Contract or enter into a subcontract for any of the services performed under this Contract without obtaining the prior written approval of the State. If such subcontracts are approved by the State, they shall contain, at a minimum, sections of this Contract below pertaining to "Conflicts of Interest," "Nondiscrimination," and "Records" (as identified by the section headings). Notwithstanding any use of approved subcontractors, the Contractor shall be the prime contractor and shall be responsible for all work performed.

D.6. Conflicts of Interest. The Contractor warrants that no part of the total Contract Amount shall be paid directly or indirectly to an employee or official of the State of Tennessee as wages, compensation, or gifts in exchange for acting as an officer, agent, employee, subcontractor, or consultant to the Contractor in connection with any work contemplated or performed relative to this Contract.

D.7. Nondiscrimination. The Contractor hereby agrees, warrants, and assures that no person shall be excluded from participation in, be denied benefits of, or be otherwise subjected to discrimination in the performance of this Contract or in the employment practices of the Contractor on the grounds of disability, age, race, color, religion, sex, national origin, or any other classification protected by Federal, Tennessee State constitutional, or statutory law. The Contractor shall, upon request, show proof of such nondiscrimination and shall post in conspicuous places, available to all employees and applicants, notices of nondiscrimination.

D.8. Prohibition of Illegal Immigrants. The requirements of Public Acts of 2006, Chapter Number 878, of the state of Tennessee, addressing the use of illegal immigrants in the performance of any Contract to supply goods or services to the state of Tennessee, shall be a material provision of this Contract, a breach of which shall be grounds for monetary and other penalties, up to and including termination of this Contract.

a. The Contractor hereby attests, certifies, warrants, and assures that the Contractor shall not knowingly utilize the services of an illegal immigrant in the performance of this Contract and shall not knowingly utilize the services of any subcontractor who will utilize the services of an illegal immigrant in the performance of this Contract. The Contractor shall reaffirm this attestation, in writing, by submitting to the State a completed and signed copy of the document at Attachment 3, hereto, semi-annually during the period of this Contract. Such attestations shall be maintained by the Contractor and made available to state officials upon request.

b. Prior to the use of any subcontractor in the performance of this Contract, and semi-annually thereafter, during the period of this Contract, the Contractor shall obtain and retain a current, written attestation that the subcontractor shall not knowingly utilize the services of an illegal immigrant to perform work relative to this Contract and shall not knowingly utilize the services of any subcontractor who will utilize the services of an illegal immigrant to perform work relative to this Contract. Attestations obtained from such subcontractors shall be maintained by the Contractor and made available to state officials upon request.

c. The Contractor shall maintain records for all personnel used in the performance of this Contract. Said records shall be subject to review and random inspection at any reasonable time upon reasonable notice by the State.

d. The Contractor understands and agrees that failure to comply with this section will be subject to the sanctions of Public Chapter 878 of 2006 for acts or omissions occurring after its effective date. This law requires the Commissioner of Finance and Administration to prohibit a contractor from contracting with, or submitting an offer, proposal, or bid to contract with the State of Tennessee to supply goods or services for a period of one year after a contractor is discovered to have knowingly used the services of illegal immigrants during the performance of this Contract.

e. For purposes of this Contract, "illegal immigrant" shall be defined as any person who is not either a United States citizen, a Lawful Permanent Resident, or a person whose physical presence in the United States is authorized or allowed by the federal Department of Homeland Security and who, under federal immigration laws and/or regulations, is authorized to be employed in the U.S. or is otherwise authorized to provide services under the Contract.

D.9. Records. The Contractor shall maintain documentation for all charges under this Contract. The books, records, and documents of the Contractor, insofar as they relate to work performed or money received under this Contract, shall be maintained for a period of three (3) full years from the date of the final payment and shall be subject to audit at any reasonable time and upon reasonable notice by the State, the Comptroller of the Treasury, or their duly appointed representatives. The financial statements shall be prepared in accordance with generally accepted accounting principles.

D.10. Monitoring. The Contractor's activities conducted and records maintained pursuant to this Contract shall be subject to monitoring and evaluation by the State, the Comptroller of the Treasury, or their duly appointed representatives.

D.11. Progress Reports. The Contractor shall submit brief, periodic, progress reports to the State as requested.

D.12. Strict Performance. Failure by any party to this Contract to insist in any one or more cases upon the strict performance of any of the terms, covenants, conditions, or provisions of this Contract shall not be construed as a waiver or relinquishment of any such term, covenant, condition, or provision. No term or condition of this Contract shall be held to be waived, modified, or deleted except by a written amendment signed by the parties hereto.

D.13. Independent Contractor. The parties hereto, in the performance of this Contract, shall not act as employees, partners, joint venturers, or associates of one another. It is expressly acknowledged by the parties hereto that such parties are independent contracting entities and that nothing in this Contract shall be construed to create an employer/employee relationship or to allow either to exercise control or direction over the manner or method by which the other transacts its business affairs or provides its usual services. The employees or agents of one party shall not be deemed or construed to be the employees or agents of the other party for any purpose whatsoever.

The Contractor, being an independent contractor and not an employee of the State, agrees to carry adequate public liability and other appropriate forms of insurance, including adequate public liability and other appropriate forms of insurance on the Contractor's employees, and to pay all applicable taxes incident to this Contract.

D.14. State Liability. The State shall have no liability except as specifically provided in this Contract.

D.15. Force Majeure. The obligations of the parties to this Contract are subject to prevention by causes beyond the parties' control that could not be avoided by the exercise of due care including, but not limited to, acts of God, natural disasters, riots, wars, epidemics or any other similar cause.

D.16. State and Federal Compliance. The Contractor shall comply with all applicable State and Federal laws and regulations in the performance of this Contract.

D.17. Governing Law. This Contract shall be governed by and construed in accordance with the laws of the State of Tennessee. The Contractor agrees that it will be subject to the exclusive jurisdiction of the courts of the State of Tennessee in actions that may arise under this Contract. The Contractor acknowledges and agrees that any rights or claims against the State of Tennessee or its employees hereunder, and any remedies arising therefrom, shall be subject to and limited to those rights and remedies, if any, available under *Tennessee Code Annotated*, Sections 9-8-101 through 9-8-407.

D.18. Completeness. This Contract is complete and contains the entire understanding between the parties relating to the subject matter contained herein, including all the terms and conditions of the parties' agreement. This Contract supersedes any and all prior understandings, representations, negotiations, and agreements between the parties relating hereto, whether written or oral.

D.19. Severability. If any terms and conditions of this Contract are held to be invalid or unenforceable as a matter of law, the other terms and conditions hereof shall not be affected thereby and shall remain in full force and effect. To this end, the terms and conditions of this Contract are declared severable.

D.20. Headings. Section headings of this Contract are for reference purposes only and shall not be construed as part of this Contract.

E. SPECIAL TERMS AND CONDITIONS:

E.1. Conflicting Terms and Conditions. Should any of these special terms and conditions conflict with any other terms and conditions of this Contract, these special terms and conditions shall control.

E.2. Communications and Contacts. All instructions, notices, consents, demands, or other communications required or contemplated by this Contract shall be in writing and shall be made by certified, first class mail, return receipt requested and postage prepaid, by overnight courier service with an asset tracking system, or by EMAIL or facsimile transmission with recipient confirmation. Any such communications, regardless of method of transmission, shall be addressed to the respective party at the appropriate mailing address, facsimile number, or EMAIL address as set forth below or to that of such other party or address, as may be hereafter specified by written notice.

The State:

Division of Claims Administration
Anne Adams, Director
9th Floor, Andrew Jackson State Office Building
502 Deaderick Street
Nashville, Tennessee 37243 – 0202
Anne.adams@state.tn.us
Telephone # (615) 741-2734
FAX # (615) 532-4979

The Contractor:

Anthony O. Pullen, Assistant Vice President - Operations Manager
Sedgwick Claims Management Services, Inc.
2620 Thousand Oaks Blvd, Suite 2400
Memphis, TN 38118
anthony.pullen@sedgwickcms.com
901-566-3330 - Office
901-566-3415 – Fax
901-229-0865 – Cell

With a copy to:

Sedgwick Claims Management Services, Inc.
1100 Ridgeway Loop, Suite 200
Memphis, TN 38120
Attn: Legal Department

All instructions, notices, consents, demands, or other communications shall be considered effectively given upon receipt or recipient confirmation as may be required.

E.3. Subject to Funds Availability. The Contract is subject to the appropriation and availability of State and/or Federal funds. In the event that the funds are not appropriated or are otherwise unavailable, the State reserves the right to terminate the Contract upon written notice to the Contractor. Said termination shall not be deemed a breach of Contract by the State. Upon receipt of the written notice, the Contractor shall cease all work associated with the Contract. Should such an event occur, the Contractor shall be entitled to compensation for all satisfactory and authorized services completed as of the termination date. Upon such termination, the Contractor shall have no right to recover from the State any actual, general, special, incidental, consequential, or any other damages whatsoever of any description or amount.

E.4. Tennessee Consolidated Retirement System. The Contractor acknowledges and understands that, subject to statutory exceptions contained in *Tennessee Code Annotated*, Section 8-36-801, *et. seq.*, the law governing the Tennessee Consolidated Retirement System (TCRS), provides that if a retired member of TCRS, or of any superseded system administered by TCRS, or of any local retirement fund established pursuant to *Tennessee Code Annotated*, Title 8, Chapter 35, Part 3 accepts state employment, the member's retirement allowance is suspended during the period of the employment. Accordingly and notwithstanding any provision of this Contract to the contrary, the Contractor agrees that if it is later determined that the true nature of the working relationship between the Contractor and the State under this Contract is that of "employee/employer" and not that of an independent contractor, the Contractor may be required to repay to TCRS the amount of retirement benefits the Contractor received from TCRS during the period of this Contract.

E.5. Confidentiality of Records. Strict standards of confidentiality of records shall be maintained in accordance with the law. All material and information, regardless of form, medium or method of communication, provided to the Contractor by the State or acquired by the Contractor on behalf of the State shall be regarded as confidential information in accordance with the provisions of State law and ethical standards and shall not be disclosed, and all necessary steps shall be taken by the Contractor to safeguard the confidentiality of such material or information in conformance with State law and ethical standards.

The Contractor will be deemed to have satisfied its obligations under this section by exercising the same level of care to preserve the confidentiality of the State's information as the Contractor exercises to protect its own confidential information so long as such standard of care does not violate the applicable provisions of the first paragraph of this

section.

The Contractor's obligations under this section do not apply to information in the public domain; entering the public domain but not from a breach by the Contractor of this Contract; previously possessed by the Contractor without written obligations to the State to protect it; acquired by the Contractor without written restrictions against disclosure from a third party which, to the Contractor's knowledge, is free to disclose the information; independently developed by the Contractor without the use of the State's information; or, disclosed by the State to others without restrictions against disclosure.

It is expressly understood and agreed the obligations set forth in this section shall survive the termination of this Contract.

E.6 Printing Authorization. The Contractor agrees that no publication coming within the jurisdiction of *Tennessee Code Annotated*, Section 12-7-101, *et. seq.*, shall be printed unless a printing authorization number has been obtained and affixed as required by *Tennessee Code Annotated*, Section 12-7-103 (d).

E.7. Incorporation of Additional Documents. Included in this Contract by reference are the following documents:

a. The Contract document and its attachments

b. All Clarifications and addenda made to the Contractor's Proposal

c. The Request for Proposal and its associated amendments

d. Technical Specifications provided to the Contractor

e. The Contractor's Proposal

In the event of a discrepancy or ambiguity regarding the Contractor's duties, responsibilities, and performance under this Contract, these documents shall govern in order of precedence detailed above.

E.8. Prohibited Advertising. The Contractor shall not refer to this Contract or the Contractor's relationship with the State hereunder in commercial advertising in such a manner as to state or imply that the Contractor or the Contractor's services are endorsed. It is expressly understood and agreed that the obligations set forth in this section shall survive the termination of this Contract in perpetuity.

E.9. Contractor Commitment to Diversity. The Contractor shall comply with and make reasonable business efforts to exceed the commitment to diversity represented by the Contractor's proposal responding to RFP-309.01-121 (Attachment 6.3, Section B, Item B.13.) and resulting in this Contract.

The Contractor shall assist the State in monitoring the Contractor's performance of this commitment by providing, as requested, a quarterly report of participation in the performance of this Contract by small business enterprises and businesses owned by minorities, women, and persons with a disability. Such reports shall be provided to the state of Tennessee Governor's Office of Business Diversity Enterprise in form and substance as required by said office.

E.10. Title to System. The Contractor warrants it has complete ownership of the claims management database system described in Section A.15 hereof except for portions of such System licensed from and copyrighted by other software suppliers, and that it has full rights to grant to the State the uses of and the privileges to the System granted herein. Based on the Contractor's warranty, the State acknowledges title to the System shall remain in the Contractor.

E.11. Authorized Individuals. Each party hereto has provided the other party hereto with a list identifying the individuals from whom the other party is authorized to accept any notices, requests, demands, or other advice which may be given hereunder by the party providing such list. Said lists, which are attached hereto as Attachment 4, shall be valid until revoked or amended by further written notice. The parties hereto shall only be entitled to rely on notices, requests, demands, or other advice given by such individuals.

E.12. Record Retention/Data Ownership. The Contractor shall maintain all pertinent records for seven (7) years from the date of activity. All data is the property of the State and shall be provided to the State by the Contractor upon request in a reasonable format specified by the State.

E.13. Use of Additional Vendors. The Contractor acknowledges and agrees that the State may select and utilize additional claims management services, such as rehabilitation, medical cost containment, legal and private investigation, according to criteria set by the State. The Contractor further agrees to work with any such additional contractors based on pre-established guidelines or procedures.

E.14. Legal Representation. The State is represented in contested workers' compensation cases by the Tennessee State Attorney General and Reporter or his delegate. The Contractor shall cooperate with the Attorney General and Reporter or his delegate in defense of contested workers' compensation cases. With the approval of the Attorney General and Reporter and the concurrence of the Governor and Secretary of State, the State may elect to utilize legal representation services available through the Contractor. If legal representation through the resources of the Contractor is elected, such representation shall be supervised and monitored by the Attorney General and Reporter.

E.15. Transition of Subsequent Claims. Upon expiration of this Contract or in the event of its termination for any reason, the Contractor shall provide a copy of the workers' compensation claim history and other pertinent data to the State or its designated agent. The information shall be furnished on an electronic data processing tape or such other data processing format as is reasonably compatible with the data processing system maintained by the State. Additionally, the Contractor shall provide all information necessary to properly interpret the data supplied. To insure continuous operation of the workers' compensation program and upon thirty (30) calendar days notice, this information shall be provided to the State or its designated agent at least forty-five (45) calendar days prior to the termination or expiration date of this Contract. Further, the State may require the Contractor to provide this information at various other times prior to or after the termination or expiration date of this Contract. It shall be the responsibility of the Contractor to process all medical bills delivered to it before the termination or expiration of this Contract. Medical bills delivered after the termination or expiration of this Contract shall be forwarded to the State or its designated agent.

E.16. Insurance. The Contractor shall carry adequate liability and other appropriate forms of insurance.

a. The Contractor shall maintain, at minimum, the following insurance coverage:

(1) Comprehensive Commercial General Liability (including personal injury & property damage, premises/operations, independent contractor, contractual liability and completed operations/products) with a bodily injury/property damage combined single limit not less than one million dollars ($1,000,000) per occurrence and two million dollars ($2,000,000) aggregate.
(2) Errors and Omissions Coverage not less than one million dollars ($1,000,000) per occurrence and two million dollars ($2,000,000) aggregate.

b. At any time, the State may require the Contractor to provide a valid Certificate of Insurance detailing Coverage Description; Insurance Company & Policy Number;

Exceptions and Exclusions; Policy Effective Date; Policy Expiration Date; Limit(s) of Liability; and Name and Address of Insured. Failure to provide required evidence of insurance coverage shall be a material breach of this Contract.

IN WITNESS WHEREOF:

SEDGWICK CLAIMS MANAGEMENT SERVICES, INC.:

Don Sloan 6/12/08

CONTRACTOR SIGNATURE **DATE**

DON SLOAN, EVP

PRINTED NAME AND TITLE OF CONTRACTOR SIGNATORY (above)

DEPARTMENT OF TREASURY:

Dale Sims 6/18/08

DALE SIMS, STATE TREASURER **DATE**

APPROVED:

M. D. Goetz Jr /sc 7/7/08

M. D. GOETZ, JR., COMMISSIONER **DATE**
DEPARTMENT OF FINANCE AND ADMINISTRATION

Deborah E. Story 7/9/08

DEBORAH E. STORY, COMMISSIONER **DATE**
DEPARTMENT OF HUMAN RESOURCES

John G. Morgan 7-11-08

JOHN G. MORGAN, COMPTROLLER OF THE TREASURY **DATE**

ATTACHMENT 1

CLAIM HANDLING REQUIREMENTS

1. Receipt and Assignment

- All mail is to be date stamped upon receipt at the TPA on the front of the document.
- The receipt date for claims filed through the claim call center will be captured on the claim system.
- For claims filed through the claim call center, notification of each claim will be sent within two (2) business days to the state agency for which the injured employee works.
- The claim unit supervisor will review all loss notices on the day received. Medical only claims should receive the same initial review as lost time claims. Specific written instructions will be given to the assigned adjuster regarding:
  - Additional information required for compensability determination
  - Medical reports/input from medical resources
  - Possible "red flags" (e.g., unwitnessed accidents, late reporting, etc.)
  - Subrogation/other offset potential
  - Jurisdictional issues
  - Other specific claim management issues
- Claims will be provided to the appropriate adjuster within one work day of receipt.

2. File Review and Initial Contact

- Claim information will be reviewed by the adjuster on the day received with any outstanding data highlighted.
- Initial contact (employer, claimant/attorney, physician, and witnesses if applicable) will be made on the assignment date as well (within 24 hours of the claim's receipt). Both lost time claims and selected medical only claims will receive telephone contact. If the adjuster is unable to reach the claimant/physician within the set time period, written contact will be made and the employer notified of the difficulty. Content of initial contact will be thoroughly documented. Information obtained will address the following topics in addition to missing data from the first report of injury:
  - Thorough description of accident, extent of injury, and any investigation findings.
  - Attitude of employee regarding accident, employer, knowledge of workers' compensation process.

- Attitude of employer regarding employee, work history, other pertinent information.

- If appropriate, verify that a physician from the EPO network was used. If not, redirect treatment.

- Availability of modified duty/job description, etc.

3. **Medical Management**

- Medical information will be reviewed upon receipt of the initial claim and during the life of the claim. Special attention will be given to the following "red flags":

  - Back injury (strain/sprain) - neck, thoracic or lumbar

  - Reference made to need for surgical intervention by treatment provider

  - Cumulative trauma/repetitive motion disorders (e.g., tendonitis, carpal tunnel syndrome)

  - Chiropractic treatment

  - Work-related exposure illnesses (exposure to inhalants, etc.)

  - Physical therapy treatment exceeding 30 days

  - Stress/psychiatric - primary or "related"

  - Complicating medical conditions (e.g. history of hypertension, obesity, heart disease, etc.)

  - Nonspecific diagnosis or prognosis (e.g. "Will be unable to return to work for an undetermined length of time.")

  - Subjective complaints without objective findings

  - Use of multiple medications, particularly addictive drugs

  - Serious fractures - major members; multiple fractures; fractures at joint sites; fractured skulls, hands or feet

- Medical review is also required in the following circumstances:

  - If a modified duty position is available that appears to be consistent with the employee's disability but the treating provider determines "totally disabled"

  - Any other cases with extenuating circumstances (e.g., layoff or facility shutdown, probation, unwitnessed/questionable accident, etc.)

  - Any catastrophic injury/illness

4. Ongoing Claim Management

- Supervisors will review claims every 25-30 days and provide specific written instructions to the adjuster. Review will include:
  - Appropriateness of reserves
  - "Red flags"
  - Quality of medical documentation - history and physical, proposed treatment plan, anticipated result
  - Status of subrogation/offsets investigation
  - Adjuster's plan of action to reach case closure
  - Need for rehabilitation/IME/disability management/investigation
- Claim adjuster will thoroughly document:
  - 3 point contact within 24 hours
  - Ongoing contact with claimant, employer, physician, attorney
  - Any medical input provided
  - Confirmation of use of EPO network provider
  - For low back strains, whether the claimant was given the option of chiropractic treatment. If not, why?
  - Referral(s) to appropriate utilization review and medical case management, with appropriate progress updates
  - Follow up with rehabilitation/IME/disability management regarding any of their activities and their plan for future action
  - Follow up with employer/physician regarding return to work and modified duty availability
  - Plan of action for claim resolution
  - Termination of any benefits
  - Whether claimant is represented by legal counsel
  - Reason for denial of claim
- Claim adjuster will follow up on outstanding medical documentation. No bill will be paid unless the corresponding medical report has been received and reviewed, confirming the medical necessity of the treatment. Medical reports should be expected within 2 weeks of the treatment or at least by the time the claim is received. Reports from IMEs should be expected within 1 week. The adjuster will diary scheduled appointments and follow up after the specified day to see if the claimant kept the appointment and to advise the provider that bills will not be paid until medical

- information is received. If the claimant misses an appointment, he/she will be called to determine why the appointment was not kept.

  Medical reports should indicate, at a minimum, objective findings, progress and treatment plan with anticipated result.

- The State requires that the following medical only claims be thoroughly investigated prior to acceptance or denial (i.e. obtain appropriate medical records, contact the claimant, supervisor and/or witnesses):

  - back injuries
  - carpal tunnel syndrome
  - hypertension
  - repeat claimants
  - aggravation of pre-existing conditions
  - any claims with questionable circumstances

5. Reserves

- Initial reserves will be set within 48 hours of the claim's receipt. Within 90 days, reserves are established based on guidelines agreed upon with the State.

- Justification for all reserve calculations and modifications will be documented and maintained.

- Reserve advisory will be provided to the State after 90 days, and any time the reserve change is greater than $25,000.

6. Communication Between Vendor and State

- The Vendor will meet with the State on a monthly basis to discuss claim management issues.

- Status reports will be provided to the State on a monthly basis for all claims exceeding $25,000.00

- These reports must include: name of claimant, job title, claimant's ssn, date of injury, claims examiner, claim number, client location, date claim reported, next diary review date, description of accident, nature of injury and medical summary, adjuster's most recent status report, supervisor's most recent comments, indemnity and medical reserves, subrogation, and litigation.

7. DCA Oversight

- The DCA will act in an oversight capacity for all claims services.

- The DCA must have on-line computer capacity to review claims daily. Documentation on all files must be complete to allow the DCA full knowledge of the claim without the benefit of the hard copy file.

- There will be documentation on all medical only claims to include a minimum description of the accident and injury, why it is compensable, and if an EPO facility was used.

- The TPA will be required to obtain prior approval from the DCA for the following claims adjudication decisions:

  - Denials of the compensability of an accident/injury;
  - Approvals to use rehabilitative services;
  - Approvals of death claims;
  - Approvals of heart attack/hypertension claims;
  - Discontinuance of overpayment collection efforts;
  - Discontinuance of subrogation collection efforts;
  - Initiations of surveillance/investigation services;
  - Approvals or denials of National Guard claims; and
  - Prior to entering into settlement discussions with a claimant/counsel, the TPA will obtain the State's approval of the settlement conditions to be proposed.

Notwithstanding the above, the State may authorize the TPA to approve certain classes of claims without the necessity of obtaining the prior approval of the State. Any such authorization will be in writing and set forth the classes of claims involved.

- The DCA will conduct on-site case file audits at least every six (6) months at the TPA's office. The DCA will issue a report of the audit findings. The TPA will review and respond in writing to each finding.

8. EPO Bill Paying Process

- The current TPA pays approximately 2,300 bills per month.
- Medical bills are mailed / faxed to the TPA from the provider or claimant.
- Bills are reviewed by the appropriate adjuster to determine relatedness to the claim. That determination must be based on relevant medical records.
- If applicable, adjuster will return the bill with a request for medical records.
- Approved bills are forwarded by TPA to the state's managed care vendor for repricing in accordance with the State mandated fee schedule.
- Upon return of a repriced bill, the TPA adjuster will promptly process payment.

9. Miscellaneous Requirements:

- Send written notice to the claimant on every claim (both LT and MO) when approved or denied.
- Send a copy of every approval notice to the state's group insurance division.
- Send a copy of every approval and denial notice to employee's state agency.
- Send a notice of termination of temporary total disability benefits to the agency of employment whenever benefits are terminated.
- TPA will retain a copy of all files which have been transferred to the Attorney General's Office for litigation. The original file is sent to the AGO, with a file summary prepared by the TPA adjuster. Written notice of the appeal is also prepared for the Tennessee Claims Commission.

- Special procedures as established by the DCA will be followed on all blood borne pathogens claims. These claims are not workers' compensation claims; however, the DCA processes payment of bills in certain circumstances through the established WC payment process. On the average, forty (40) blood borne pathogens claims are filed per year. These claims must be maintained on a separate account.

- All blood borne pathogens claims will be assigned to the same examiner.

- Special procedures as established by the DCA will be followed on Military / National Guard claims. During the past three (3) years, sixteen (16).National Guard claims were filed.

- Military / National Guard claims will be assigned to the same examiner.

ATTACHMENT 2

CASE MANAGEMENT GUIDELINES

Medical Management Service	Criteria
1. Preadmission Certification/Continued Stay Review	The TPA will notify the state's medical management vendor of any hospital admission or proposed admission via toll-free number or telefax. The TPA may, at its discretion, have outpatient procedures precertified.
2. Ambulatory Care Review (i.e., physical therapy, chiropractic or otherwise) / Continued Treatment Review	At its discretion, the TPA will notify the state's medical management vendor of the need for ambulatory review based upon the treatments involved, and the amount of the medical expenses, or, in the case of psychiatric treatment, immediately upon request of the treatment.
3. High Tech Diagnostic Procedures Review	At its discretion, the TPA will notify the state's medical management vendor of proposed high tech diagnostic procedures needing precertification via toll-free number or telefax. High tech diagnostic procedures include, but are not limited to, CT scans involving head or spine, and all MRIs.
4. Discharge Planning	The TPA will be responsible for giving approval to the state's medical management vendor to proceed with discharge planning activity.

5. Large Case and Rehabilitation Management	At its discretion, the TPA will notify the state's medical management vendor of the need for large case management based on the following guidelines: • fractures or dislocations which involve a major joint area; • crush injuries; • major amputations; • head injuries requiring hospitalization; • injuries resulting in paralysis; • 2nd or 3rd degree burns on 25% or more of the body • catastrophic injuries; • cervical, thoracic, lumbar disc disorders when surgery is required; • injuries exceeding 30 days lost time. The TPA will forward the first report of injury and any other available medicals to the medical management vendor.
6. Outpatient Procedure Review	The TPA will notify the state's medical management vendor of the need for outpatient case review as determined in the TPA's sole discretion for back and neck disorders (if not returned to work in two (2) weeks), carpal tunnel syndrome or stress related disorders.
7. Pharmacy Bill Audit	The TPA will forward to the state's medical management vendor any pharmacy bill which the TPA believes may require a Pharmacy Bill Audit.
8. Hospital Bill Review	The TPA will forward to the state's medical management vendor any hospital bill which the TPA believes may require a Hospital Bill Review.
9. On-site Case Management	On-site case management services may be performed at the request of the state, the TPA or the state's medical management vendor. All requests for on-site case management shall be approved by the state.
10. Retrospective Review	At its discretion, the TPA will notify the state's medical management vendor of the need for retrospective review based upon questions regarding the appropriateness of treatment already rendered.

ATTACHMENT 3

ATTESTATION RE PERSONNEL USED IN CONTRACT PERFORMANCE

SUBJECT CONTRACT NUMBER:	309,01-121
CONTRACTOR LEGAL ENTITY NAME:	Sedgwick Claims Management Services, Inc.
FEDERAL EMPLOYER IDENTIFICATION NUMBER: (or Social Security Number)	36-2685608

The Contractor, identified above, does hereby attest, certify, warrant, and assure that the Contractor shall not knowingly utilize the services of an illegal immigrant in the performance of this Contract and shall not knowingly utilize the services of any subcontractor who will utilize the services of an illegal immigrant in the performance of this Contract.

Don Sloan

CONTRACTOR SIGNATURE

NOTICE: This attestation MUST be signed by an individual empowered to contractually bind the Contractor. If said individual is not the chief executive or president, this document shall attach evidence showing the individual's authority to contractually bind the Contractor.

DON SLOAN

PRINTED NAME AND TITLE OF SIGNATORY

6-12-2008

DATE OF ATTESTATION

ARTICLE IV

OFFICERS

SECTION 1. NUMBER. The officers of the corporation shall be a chairman of the board of directors, a president, one or more vice-presidents (the number thereof to be determined by the board of directors), a treasurer, and a secretary, and such assistant treasurers, assistant secretaries or other officers as may be elected or appointed by the board of directors. Any two or more offices may be held by the same person, except the offices of president and secretary.

SECTION 2. ELECTION AND TERM OF OFFICE. The officers of the corporation shall be elected annually by the board of directors at the first meeting of the board of directors held after each annual meeting of shareholders. If the election of officers shall not be held at such meeting, such election shall be held as soon thereafter as conveniently may be. Vacancies may be filled or new offices filled at any meeting of the board of directors. Each officer shall hold office until his successor shall have been duly elected and shall have qualified or until his death or until he shall resign or shall have been removed in the manner hereinafter provided. Election or appointment of an officer or agent shall not of itself create contract rights.

SECTION 3. REMOVAL. Any officer or agent elected or appointed by the board of directors may be removed by the board of directors whenever in its judgment the best interests of the corporation would be served thereby, but such removal shall be without prejudice to the contract rights, if any, of the person so removed.

SECTION 4. VACANCIES. A vacancy in any office because of death, resignation, removal, disqualification or otherwise, may be filled by the board of directors for the unexpired portion of the term.

SECTION 5. CHAIRMAN OF THE BOARD OF DIRECTORS. The chairman of the board of directors shall preside at all meetings of the shareholders and of the board of directors.

SECTION 6. PRESIDENT. The president shall be the chief executive officer of the corporation and shall in general supervise and control all of the business and affairs of the corporation. In the absence of the chairman of the board of directors, he shall preside at meetings of the shareholders and of the board of directors. He may sign, with the secretary or any other proper officer of the corporation thereunto authorized by the board of directors, certificates for shares of the corporation, any deeds, mortgages, bonds, contracts, or other instruments which the board of directors has authorized to be executed, except in cases where the signing and execution thereof shall be expressly delegated by the board of directors or by these by-laws to some other officer or agent of the corporation, or shall be required by law to be otherwise signed or executed; and in general shall perform all duties incident to the office of president and such other duties as may be prescribed by the board of directors from time to time.

SECTION 7. THE VICE-PRESIDENTS. In the absence of the president or in the event of his inability or refusal to act, the vice-president (or in the event there be more than one vice-president, the vice-presidents in the order designated, or in the absence of any designation, then in the order of their election) shall perform the duties of the president, and when so acting, shall have all the powers of and be subject to all the restrictions upon the president. Any vice-president may sign, with the secretary or an assistant secretary, certificates for shares of the corporation; and shall perform such other duties as from time to time may be assigned to him by the president or by the board of directors.

SECTION 8. THE TREASURER. If required by the board of directors, the treasurer shall give a bond for the faithful discharge of his duties in such sum and with such surety or sureties as the board of directors shall determine. He shall: (a) have charge and custody of and be responsible for all funds and securities of the corporation; receive and give receipts for moneys due and payable to the corporation from any source whatsoever, and deposit all such moneys in the name of the corporation in such banks, trust companies or other depositaries as shall be selected in accordance with the provisions of Article V of these by-laws; (b) in general perform all the duties incident to the office of treasurer and such other duties as from time to time may be assigned to him by the president or by the board of directors.

SECTION 9. THE SECRETARY. The secretary shall: (a) keep the minutes of the shareholders' and of the board of directors' meetings in one or more books provided for that purpose; (b) see that all notices are duly given in accordance with the provisions of these by-laws or as required by law; (c) be custodian of the corporate records and of the seal of the corporation and see that the seal of the corporation is affixed to all certificates for shares prior to the issue thereof and to all documents, the execution of which on behalf of the corporation under its seal is duly authorized in accordance with the provisions of these by-laws; (d) keep a register of the post-office address of each shareholder which shall be furnished to the secretary by such shareholder; (e) sign with the president, or a vice-president, certificates for shares of the corporation, the issue of which shall have been authorized by resolution of the board of directors; (f) have general charge of the stock transfer books of the corporation; (g) in general perform all duties incident to the office of secretary and such other duties as from time to time may be assigned to him by the president or by the board of directors.

SECTION 10. ASSISTANT TREASURERS AND ASSISTANT SECRETARIES. The assistant treasurers shall respectively, if required by the board of directors, give bonds for the faithful discharge of their duties in such sums and with such sureties as

the board of directors shall determine. The assistant secretaries as thereunto authorized by the board of directors may sign with the president or a vice-president certificates for shares of the corporation, the issue of which shall have been authorized by a resolution of the board of directors. The assistant treasurers and assistant secretaries, in general, shall perform such duties as shall be assigned to them by the treasurer or the secretary, respectively, or by the president or the board of directors.

SECTION 11. SALARIES. The salaries of the officers shall be fixed from time to time by the board of directors and no officer shall be prevented from receiving such salary by reason of the fact that he is also a director of the corporation.

ARTICLE V

CONTRACTS, LOANS, CHECKS AND DEPOSITS

SECTION 1. CONTRACTS. The board of directors may authorize any officer or officers, agent or agents, to enter into any contract or execute and deliver any instrument in the name of and on behalf of the corporation, and such authority may be general or confined to specific instances.

SECTION 2. LOANS. No loans shall be contracted on behalf of the corporation and no evidences of indebtedness shall be issued in its name unless authorized by a resolution of the board of directors. Such authority may be general or confined to specific instances.

SECTION 3. CHECKS, DRAFTS, ETC. All checks, drafts or other orders for the payment of money, notes or other evidences of indebtedness issued in the name of the corporation, shall be signed by such officer or officers, agent or agents of the corporation and in such manner as shall from time to time be determined by resolution of the board of directors.

SECTION 4. DEPOSITS. All funds of the corporation not otherwise employed shall be deposited from time to time to the credit of the corporation in such banks, trust companies or other depositaries as the board of directors may select.

ARTICLE VI

CERTIFICATES FOR SHARES AND THEIR TRANSFER

SECTION 1. CERTIFICATES FOR SHARES. Certificates representing shares of the corporation shall be in such form

Action Taken by Unanimous Written Consent
In Lieu of a Meeting of the Board of Directors of

SEDGWICK CLAIMS MANAGEMENT SERVICES, INC.,
An Illinois Corporation

The undersigned, being all the Directors of Sedgwick Claims Management Services, Inc., an Illinois Corporation, in lieu of a formal meeting of the Board of Directors and in accordance with Illinois corporation law and pursuant to the Bylaws of the Corporation, do hereby consent to the adoption of the following resolutions, which shall have the same force and effect as a unanimous affirmative vote taken at a duly called and held meeting of the Board of Directors. The Directors hereby direct that this Consent be filed in the Minute Book of the Corporation.

RESOLVED, as indicated on the attached Exhibit A, the Company hereby elects the exclusive officers of the Corporation to serve for the ensuing year or until their successors are duly elected and qualified and terminates the officerships of those so indicated.

This Unanimous Written Consent may be executed in one or more counter parts, all of which together shall be one and the same instrument.

Effective this 5th day of March, 2008.

DIRECTORS

David A. North, Jr.

James B. Wiertelak

Paul J. Posey, Jr.

Edwin B. Brewer, Jr.

SCMS OFFICER TITLES
March, 2008

EXHIBIT A

Name	Officer Title	Blue = New Appointment Red = Terminated Green = Requested Change to Current Appointment
North Jr,David A	President and CEO	
Wiertelak,James B	Executive Vice President and COO	
Brewer Jr,Edwin B	Executive Vice President, CFO and Treasurer	
Posey Jr,Paul J	Executive Vice President	
Browne,Terri S	Executive Vice President	
Funck,Patrick L	Executive Vice President and CIO	
Grande,Ruth A	Executive Vice President	
Johnson,Bradley F	Executive Vice President	
Penman,Steven E	Executive Vice President	
Peterson,Robert J	Executive Vice President	
Sloan,Donald F	Executive Vice President	
Brown,Kimberly D	Senior Vice President, General Counsel and Secretary	
Ayala,Jay	Senior Vice President	
Delaney,John R	Senior Vice President	
House, Joseph C	**Senior Vice President**	**NEW**
Huffman Jr,Frank J	Senior Vice President	
Jackson,Bob	Senior Vice President	
Johnson,Robert A	Senior Vice President	
Jones,Randy	Senior Vice President	
Kaled,Sally K	Senior Vice President	
Kiley,David	Senior Vice President	
Labetti Jr,Joseph A	Senior Vice President	
LeClaire,Tammy J	Senior Vice President	
Lowry,Kevin	Senior Vice President	
Over,Tim C	Senior Vice President	
Rogers,Scott P	Senior Vice President	
Scotto,David J	Senior Vice President	
Shald,Brian D	Senior Vice President	
Smalley,Scott A	Senior Vice President	
Stroinski,Craig A	Senior Vice President	
Tazic,Kathryn M	Senior Vice President	
Williams,Darrell L	Senior Vice President	
Wisecarver Jr,Robert D	Senior Vice President	
Ackerman,Richard	Vice President	
Alexander,Marcia C	Vice President	
Archer,Monica A	Vice President	
Bass,Bryon E	Vice President	
Bennett,Stephen M	Vice President	
Bolt, Rebecca	**Vice President**	**NEW**
Brown,Darrell	Vice President	
Carey,Jean	Vice President	
Case, Terri	**Vice President**	**NEW**
Clark,Sheila D	Vice President	
Cochran, Steve	**Vice President**	**NEW**
Conway,Kathleen	Vice President	
Cooper,Charles	Vice President	
Crasnick,Mark R	Vice President	
Davenport,Debra L	Vice President	
Dickerson,Mary H	Vice President	
Edson,Anne T	Vice President	
Elliott,Stephen R	Vice President	
Faust,Richard M	Vice President	
Federspiel,Bruce J	Vice President	
Fischer,Glenn J	Vice President	
Flynn,Robert P	Vice President	
George,Kimberly A	Vice President	
Greenspan,Stanley M	Vice President	Terminated
Grever,Leslie A	Vice President	
Hamann,Peter P	Vice President	
Hammann,Darryl C	Vice President	Senior Vice President

ATTACHMENT 4

Pursuant to Section E.11 of the Contract between the State of Tennessee, Department of Treasury, hereinafter referred to as the "State", and Sedgwick Claims Management Services, Inc., hereinafter referred to as the "Contractor", each party has outlined below the individuals from whom the other party is authorized to accept any notices, requests, demands, or other advice which may be given under the Contract. This Attachment shall be valid until revoked or amended by further written notice. The parties shall only be entitled to rely on notices, requests, demands, or other advice given by such individuals.

AUTHORIZED INDIVIDUALS OF STATE

Authorized Individual	Position
Anne Adams	Director of Division of Claims Admin.
Monica Fuqua	Senior Claims Examiner
Mary Roberts-Krause	General Counsel
Larissa Dills	Executive Secretary
Steve Curry	Assistant to the Treasurer

Attorneys employed with the Office of the Attorney General and Reporter
Attorneys employed with the University of Tennessee
For purposes of Section A.16, the State's Information Systems Operations Group

The individuals listed above, auditors employed by the state of Tennessee, and the following individuals are authorized to make inquires concerning Claims Payment and Reconciliation Process.

Authorized Individual	Position
Kim Morrow	Director of Accounting
Connie Gibson	Assistant Director of Accounting
Kimberly Whaley	Manager
Linda Baker	Accounting Technician II

All State department and agency designated workers' compensation contacts or their authorized representatives.

6/18/08
Date Effective

Dale Sims, State Treasurer

AUTHORIZED INDIVIDUALS OF CONTRACTOR

Authorized Individual	Position
Don F. Sloan	Executive Vice President, Director of Casualty Operations
Anthony O. Pullen	Assistant Vice President, Operations Manager
Kimberly Brown	General Counsel
Steve Hurley	Corporate Counsel
Kathy Dawson	Claims Supervisor

6/12/08
Date Effective

EVP
(Signature and Title of Authorized Officer)